

THE EMBEDDED MARKET · CHAPTER FOURTEEN

The Listening Edge

Chapter Fourteen of The Embedded Market

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THE LICENCE

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Chapter Fourteen of The Embedded Market

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Chapter Fourteen of The Embedded Market. The whole book, with every chapter, is at business.hautelumiere.life/library/the-embedded-market (DOI https://doi.org/10.5281/zenodo.23989474).

A NOTE BEFORE YOU READ

This work is offered for education and leadership development. It is not legal, financial, accounting, investment, medical or psychological advice; take the advice of a qualified professional who knows your circumstances. Companies and events are described from the public record as the author understands it; characterisations are the author's analysis. Examples are illustrative, and no particular outcome is promised to any reader.

ABSTRACT

Thirteen chapters have circled one thing from several sides. It is worth saying plainly what it is. Every living whole, a cell, a person, a household, a firm, a market, a society, has an edge where it meets what it depends on. The edge does two jobs at once. It holds the whole together, so that what is inside stays organised. And it lets things through, materials, money, people, information, so that the whole knows what is happening around it and can respond. Karl Polanyi's word for a market whose edge is working was embedded . Albert Hirschman's three words, exit , voice and loyalty , describe how that edge senses: by losing members, by hearing them, and by holding them long enough to hear. The book's claim has been that these are not two ideas but one, seen from two distances, and that the place to read the health of a market, a firm or a household is the moment when somebody has something to say. Chapter 2 traced the idea to its sources. Chapter 3 let the critics narrow it. Chapter 4 read it as a membrane, a breathing rhythm and a root system.

CHAPTER FOURTEEN

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What the book has been describing

Thirteen chapters have circled one thing from several sides. It is worth saying plainly what it is.

Every living whole, a cell, a person, a household, a firm, a market, a society, has an edge where it meets what it depends on. The edge does two jobs at once. It holds the whole together, so that what is inside stays organised. And it lets things through, materials, money, people, information, so that the whole knows what is happening around it and can respond. Karl Polanyi's word for a market whose edge is working was *embedded*. Albert Hirschman's three words, *exit*, *voice* and *loyalty*, describe how that edge senses: by losing members, by hearing them, and by holding them long enough to hear.

The book's claim has been that these are not two ideas but one, seen from two distances, and that the place to read the health of a market, a firm or a household is the moment when somebody has something to say. Chapter 2 traced the idea to its sources. Chapter 3 let the critics narrow it. Chapter 4 read it as a membrane, a breathing rhythm and a root system. The cases followed it into a supply chain, a factory, a fire and a hospital ward. The manual, the measures, the conversations and the household chapter turned it into practice.

This last chapter reads the whole once more, as a living system, and ends on one image.

The membrane, again

In chapter 4 the cell on the slide stood for the market's embedding: a membrane a few molecules thick, selectively permeable, carrying signals, constantly rebuilt from inside. The cases give the image weight.

At General Motors in the years Helper and Henderson describe, the membrane between the carmaker and its suppliers was built for one kind of signal. Contracts of a year, six or eight suppliers per part, purchase decisions driven overwhelmingly by price. A senior purchasing manager could say, in 1993, that the firm did not need to understand its suppliers' technologies because it let the market tell it. A membrane like that lets prices through and very little else. The supplier's engineer who saw that a bracket would not hold had no reason to say so, and the warning arrived later as a defect.

At Fremont, the same plant that had been one of GM's least productive, with absenteeism that often exceeded twenty per cent and a backlog of more than a thousand grievances, was reopened with largely the same workforce and a cord above each work station. The membrane between the line and the people who could fix it had been rebuilt. The signal that had travelled as grievance and sabotage began to travel as a pulled cord.

At Kariya, when the only plant making a valve every Toyota car needed burned, the edge between dozens of firms turned out to be a membrane rather than a wall. Knowledge, people and machines moved across it in days, because the firms had been moving knowledge across it for years.

At Stafford, the edge between a hospital and its patients carried complaints, letters and visits from relatives, and the inquiry found that the trust had failed to listen to them. The membrane let the words in and did not carry them to anyone who acted.

Each case is the same structure. What differed was not whether the organisation had an edge, but whether the edge listened.

The breath, again

Chapter 4 proposed that exit and voice are not alternatives but two phases of one rhythm. Exit is the outbreath, how a living system releases what no longer fits. Voice is the in-breath, how it takes in what it needs to know. A system that only breathes out loses what it needed to learn. A system that only breathes in, that holds people who should have gone, becomes Hirschman's lazy monopoly and, in the language of chapter 3, gets neglect, the held breath of people who stayed and stopped trying.

The measures in chapter 10 are, read this way, a way of listening to the breath. Exits marked *unknown*. Voices marked *nothing yet*. Linked pairs, where somebody spoke and later left, which are the places where an in-breath arrived and was not taken. A rhythm in good health shows voices rising while unexplained exits fall: people speaking before they leave, and being heard.

Santa Anna's *Ecstatic Economics* describes the same rhythm in the language of trust, in a sentence about organisational life: "trust circulates, and where trust circulates, value flows." Circulation is the right word. Neither trust nor voice can be stored. Both exist only while they are moving.



The roots, again

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The roots, again

Loyalty was the root system: the part of the organism below the surface that holds it through a bad season and lets it draw on reserves. The Fremont workers who pulled a cord in their first months, before they had any proof that it would not count against them, were drawing on something: perhaps on the agreement to rehire them, perhaps on the plain wish to keep the plant open. The suppliers who sent people to rebuild a competitor's product line in the week after the fire were drawing on years of relationship that no contract required them to honour.

Roots can also hold a plant in poor soil. Chapter 3 described how loyalty can be used against the loyal, and Uzzi's apparel firms showed what happens when a firm's relationships become too few and too close: the depth that carried trust also carried blindness. Deep roots need a wide spread. The households and firms that held up best in these chapters kept a few relationships close and several at arm's length, and talked honestly in both.

The nesting, again

The Luminous 100's reading of the Viable System Model has stood behind this book from the second chapter: "holons all the way up and all the way down, each simultaneously autonomous and embedded." The cases showed the nesting at every scale. A worker inside a team inside a plant inside a joint venture inside two companies. A supplier inside an association inside a network. A ward inside a hospital inside a trust inside a national health service. A child inside a household inside a neighbourhood.

At every level the same question applied, and it is the only question this book has really asked. When somebody inside this whole has something to say, is there a place to say it, and does anybody have to listen?

Ecstatic Economics gives the deeper reason the question matters, in its account of the economies Polanyi studied: "Every economic act occurs within a web of relationships." A web is held at many points. When one strand carries only price, the web still holds; it simply knows less about itself. When enough strands carry only price, it holds until it does not, and it learns why only afterwards.



What the reading asks of a reader

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What the reading asks of a reader

The living-systems reading is a lens. It does not measure, and the book has tried to keep it from pretending to. What it does is change what a person notices. A silence becomes a signal. A departure becomes a question rather than a statistic. A complaint becomes the most valuable document in the week's post. A supplier's early warning becomes a saving that never appears in the accounts.

Organizational Soul Work gives the posture that the reading asks for, and it is harder than any tool in this book: "listen first, deeply and patiently, before you do anything at all." Every method in the preceding

chapters, the audit, the ledger, the map, the protocol, the weekly review, the conversation card, is a way of making that posture into a habit an organisation can keep when the person who believed in it has moved on.

The same book has a sentence for the moment when an organisation first hears what it has not been hearing, and it is the right sentence to carry out of this one. When a long-suppressed truth is finally said aloud, it says, the only fitting response is to let it land. Not to explain it, not to fix it yet. To receive it.

Where the book meets the others

This book is one of a set. The questions it leaves open are taken up in its companions in *Ecstatic Economics*, all kept at hautelumiere.life.

How a shared resource stays governed by the people who use it, through rules that are themselves voice channels, is the subject of the volume on the commons. How loyalty with roots is built by what is given before it is asked for is the subject of the volume on gift and reciprocity. How the time horizon of an organisation's owners decides whether it prefers exit or voice is the subject of the volume on patient capital. How voice can be built into the ownership of the firm itself is the subject of the volume on employee ownership. And how the gains that come from shared improvement have been returned, for nearly a century, to the people who made them, is the subject of the volume on gainsharing, which is where the argument of this book leads for any organisation that wants to share in what its listening finds.

Behind all of them is the book they grew from, Ammanuel Santa Anna's *Ecstatic Economics*, part of the Luminous Developmental Canon: an account of money, markets and institutions as living systems that live in the body as well as in the ledger.

For leaders who want to read their own organisation this way and act on what they find, Ammanuel Santa Anna works with a small number of them, one to one. hautelumiere.life

The bench

Here is the image the book ends on.

It is late afternoon in a supplier's workshop. A part lies on a bench under a lamp: a small bracket, a millimetre off, or a seal that wears faster than the drawing said it would. Two engineers stand on either side of the bench. One works for the firm that makes the part. The other works for the firm that buys it, and has driven over to look. Neither of them is negotiating. One is pointing to the place where the wear begins. The other is leaning in, one hand flat on the bench beside the part, listening.

In a few minutes the drawing will change. The part that would have failed in a customer's car will never be made. The warranty claim that would have followed will never be filed, and the purchasing department

will never go looking for a new supplier. None of this will appear in either firm's accounts, because the cost it prevented was never incurred. Nobody outside the workshop will ever know it happened.

That is what an embedded market looks like when it is working. There is a price, and a contract, and an exit available to both of them if it comes to that. But what is happening at the bench is none of those things. It is two people inside a relationship that can carry a small, inconvenient truth from the place where it was seen to the place where it can be acted on.

Polanyi wrote a book to say that markets cannot live without that. Hirschman wrote one to explain what happens when it fails. The bench is where it is kept: a hand on the wood, a lamp, and somebody listening.

A note on method

The cases summarised here are sourced in chapters 5 to 8: Helper and Henderson (2014) for General Motors and Fremont; Nishiguchi and Beaudet (1998) for the Aisin fire; the report of the Mid Staffordshire NHS Foundation Trust Public Inquiry (2013) for Stafford. Uzzi (1997) is cited in chapters 3, 7 and 11.

Santa Anna, A. *Ecstatic Economics*; *Organizational Soul Work*, on listening and "Movement 3: Receiving Without Fixing"; *The Luminous 100*, upgrade 92 (Viable System Model). The Luminous Developmental Canon.

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