



## What Does It All Mean?

On the right hand side of the diagram are formal structures, systems and policies, influenced by contextual factors and corporate values, and over which companies have choice. We have seen that formal systems designed in a complementary, systemic manner to accommodate dualities are associated with performance premiums.

How systems are designed influences behaviour. According to Senge (1990), “systems cause their own crises, not external forces or individuals’ mistakes”. Deming famously demonstrated the effects of statistical variation in manufacturing systems. He showed that willing workers battle against the effects of a bad system. Because systems design influences performance outcomes, he argued vehemently against performance-related pay and competition in systems, and short-term incentives that support competitive behaviour. He advocated co-operation as the way to achieve quality outcomes and wealth creation.

Structures and boundaries in a continual state of adaptation and reinvention can lead to levels of complexity that add significantly, through management overheads, to already near chaotic situations. Coping with such distributed diversity suggests holistic thinking and action in co-coordinating processes among structural subunits (Pettigrew and Fenton, 2000).

The left hand side of the diagram depicts complex, dynamic networks of relationships. These networks of relationships are influenced by formal systems design, and at the same time are informally self-determining and self-organising within the shadow system.

Organisations function in a continual state of flux and at the edge between order and disorder. There is an enduring obsession with attempting control complex social dynamics. Informal networks in particular appear to be viewed as problematic, since they “typically fly under management’s radar, they elude control” and “the greatest limitation of these ad hoc arrangements (informal networks) is that they can’t be managed” (Lowell et al, 2007).

Efforts to exert and maintain control cause many managers to disregard the havoc that excessive control wreaks on the business (Hitchins, 1997). Those who have been deprived of influence by rigid control systems take control to themselves and the shadow system becomes destructive. People self-organise to resist and even engage in sabotage. How widespread is the simplistic view of management represented in this quote?

*“An engineer who understands how to control a complex physical system also understands how to control an analogous managerial system: all he requires to do is to generalise his engineering knowledge and then transport it to his managerial problems” (Robb, 1984)*

From past experience, businesses have shown tendencies to become more controlling in times of recession. It seems likely in 2008, following the global financial crisis, that is where we are heading, typified in this quote from blog:

*“When did all the departments shift from being centres of excellence to becoming “risk management” centres? Human Resources (HR) is about what we shouldn’t do. Corporate Communications is about what we shouldn’t say, Finance is about what we shouldn’t fund. Someone help! We are “risk managing” ourselves to death!” (Lee, 2008)*