Niels Pflaeging

ORGANIZE FOR COMPLEXITY

How to get life back into work to build the high-performance organization

The BetaCodex Publishing series:

Volume 1 – Niels Pflaeging: Organize for Complexity.
How to get life back into work to build the high-performance organization, 2014

Also available: Organize for Complexity - Deluxe Edition

"If you want to truly understand something, try to change it."

Kurt Lewin

Contents

How to use this book

You can read and use this book in a variety of ways.

As a textbook for thinking about organizations. It contains a selection of powerful thinking tools for dynamic-robust organization - all visualized and illustrated. Some of the concepts build on each other. So reading this book from front to back may be a good idea.

As a source of inspiration. You'll find ideas and suggestions for changing your organization. Your leadership work. Your team. Your clients' organizations.

As a dictionary. Organizing for complexity needs a new language; new terms; precise distinctions. Without appropriate terminology and vocabulary, we cannot conceive the organizational change needed for this age, let alone produce it. This book is packed with new and pointed terms. Those terms are often highlighted in the text, and sometimes set in brackets.

As a workbook. The book can serve you as a companion in change or transformation processes; individually, or for entire teams. Specific pieces of advice with regards to this can be found in particular in Chapters 5 to 7. At the end of the book, we added a few pages for your own personal notes.

{ **Learn to fix the system, instead of fixing symptoms.** }

The same questions, everywhere...

This book addresses fundamental questions of interest to business owners, managers, change agents and consultants, but also professionals of all kinds, in general.
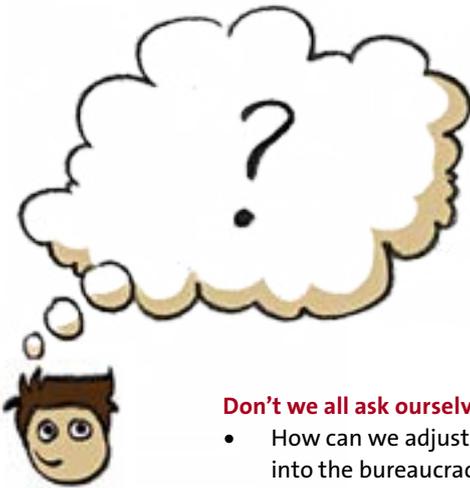
Don't we all ask ourselves questions like:

- How can we adjust a growing organization, without falling into the bureaucracy trap?
- How can my organization deal with growing complexity?
- How can we become more capable of adapting to new circumstances?
- How can we overcome existing barriers to performance, innovation and growth?
- How can my firm achieve higher engagement and become an organization more fit to human beings overall?
- How can we produce profound change, without hitting a wall?

In this book, we argue that in order to address these issues, we must create and sustain organizations that are truly robust for complexity, as well as fit for human beings. We also discuss how that can be achieved.

{ You will learn to design your organization for complexity - regardless of size, age, industry, country or culture. }

Part 1

Manufac-
turing age

Industrial age

Age of global
markets
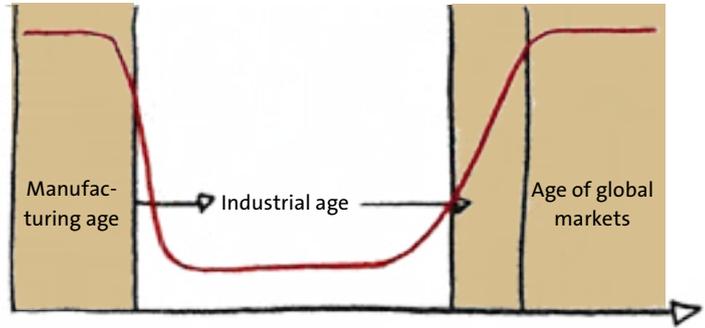
Complexity: Why it matters to work and organizations

(Big time.)

Management, the social technology: Rise and fall of a brilliant idea

In 1911, Frederick W. Taylor published his landmark book "The Principles of Scientific Management." **He proposed his new brand of organizational science as nothing short of a "revolution"** that would eliminate the produ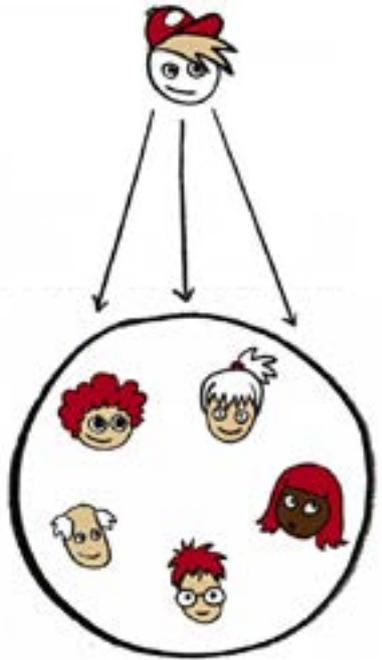ctivity constraints of the industrial-age organization. Taylorism indeed achieved just that. Taylor became the founder of management as an organizational method that would give wings to the quest for efficiency of the industrial age.

What Taylor pioneered was the idea of **consistently dividing an organization between thinking people (managers) and executing people (workers)** – thus legitimating the management profession as that of thinking principals of the non-thinking human resources. Taylor also introduced functional division to shop-floor work. His concepts were soon decried as inhumane and non-scientific, his consulting methods as ineffective. But Taylor was a visionary with the dream of pacifying workers and managers through efficiency gains that would benefit all.

**"Doers"/Workers:
execute, obey, follow**

The division principle became the DNA of management, the social technology: hierarchical and functional division were widely adopted after Taylor´s death in 1915, and to great effect. His principles were later applied to non-industrial, non-shop-floor work - all kinds of work, in fact. Management, as we know it today, is not much different from what Taylor proposed a century ago. As we will see, however, command-and-control has turned toxic for both organizational performance and human/social advancement.

{ **We call tayloristic management Alpha.** }

The price of simplicity: Three systemic gaps caused by management

1. The Social Gap

Hierarchical division and top-down control cause an erosion of social/group pressure and dialog, and a bias towards management by numbers and leadership by fear
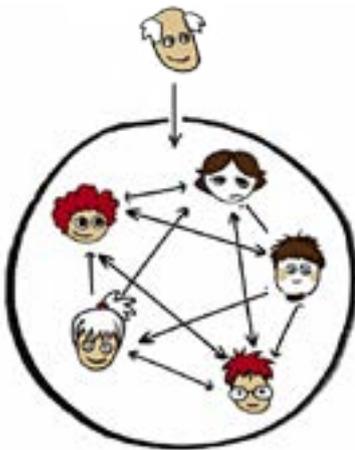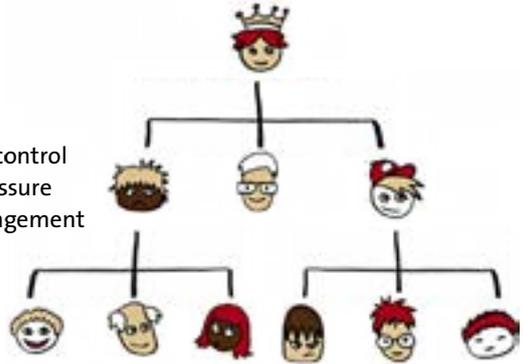
2. The Functional Gap

Functional division leads to narrow and fragmented responsibilities. It produces a need for managed/imposed coordination through process control, interfaces, planning, rules, standards, hierarchic power etc.

9 am:
thinking

3. The Time Gap

The division between thinking thinkers and non-thinking doers, between planning and execution, results in the need for managed/imposed roles, complicated IT, strategy, targets, forecasting, and planning

3 pm:
doing
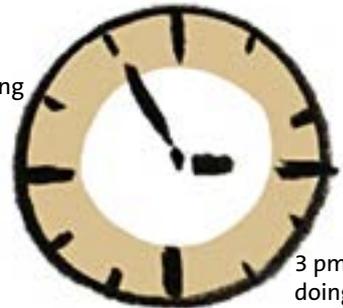
{ None of this feels good. None of this creates value for people, customers, or owners: the three gaps all lead to waste. That´s a high price for the illusion of control. }

The historical course of market dynamics and the recent rise of complex, global markets

We call the graph shown on the right the "Taylor Bathtub."

The industrial age brought with it a brief period of fast-growing, spacious mass markets with relatively little competition. Monopolies or oligopolies dominated, markets were dull, or sluggish. During that period, Alpha became the standard organizational model: because it was possible, for the first time in human history, to largely eliminate complexity from value-creation with the help of machines and standards. For this task Taylorism, or Alpha, was the perfect solution.

Those days are gone. **High-dynamic value creation re-emerged around the 70s,** due to the rise of global, high-competition markets and the return of more individualized demand that made customization paramount and enabled "mass-customization."

High-dynamic value creation, in turn, calls for an increase in the human part of problem-solving processes. Alpha has become a roadblock.

* The terms dynamics and complexity will be used synonymously throughout this book, most of the time - for the sake of simplicity.

Local markets, high customization

Spacious markets, little competition

"Outperformers" exercise market pressure over conventional companies
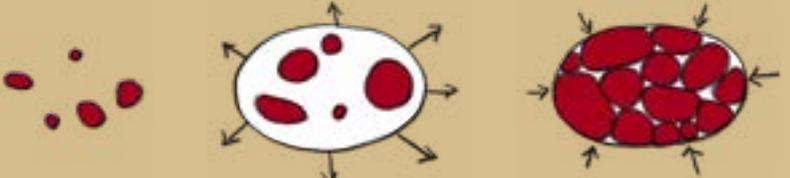
| ← high dynamics → | ← sluggish/dull, low dynamics → | ← high dynamics → |

Dynamic part of value creation
Solution: man

Formal part of value creation
Solution: machine

Age of Crafts Manufacturing

Industrial Age/ Age of Tayloristic Industry

Age of Global Markets

1850/1900

1970/80   today

{ **The dominance of high dynamics and complexity is neither good, nor bad. It's a historical fact.** }

The difference between
the complicated and the complex

Complicated systems operate in standardized ways. In complicated systems imprecision is diminished and non-objectivity and uncertainty are reduced as far as possible. Such a system can be described through non-ambiguous cause-and-effect chains. It is externally controllable.

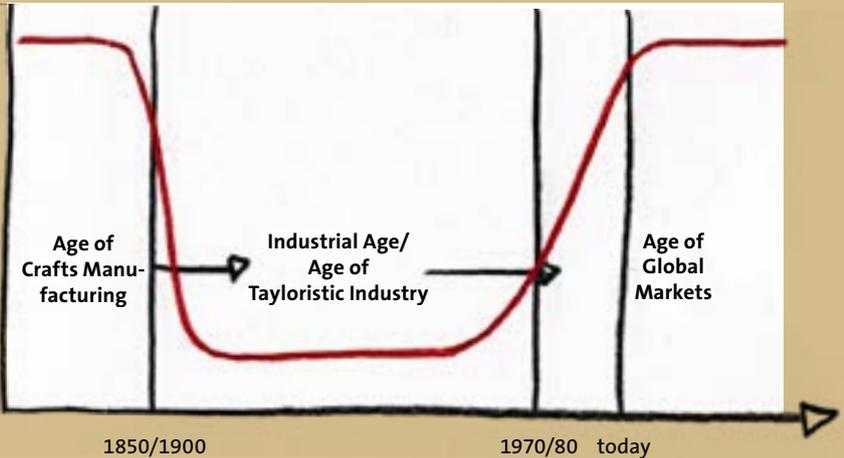Any high-precision machine is complicated: everything is done to avoid imprecision/to increase precision. A watch, for example, is calibrated to diminish mistakes and uncertainty. It is configured to supply objective data, certainty and a minimum of illusion.

Complex systems produce surprises. They have presence or participation of living creatures. They are living systems - that's why they may change at any moment. Such systems are only externally observable – not controllable.

A complex systems´ behavior is non-predictable. In a complex system, it's natural that there is a level of error, uncertainty and illusion that is much higher than in complicated systems. A complex system may possess elements that can operate in standardized ways, but their interaction would be constantly changing, in discontinuous ways.

{ To treat complex organizations as complicated systems is a fundamental thinking mistake, an over-simplification. }

Consequences of complexity: The importance of mastery for problem-solving today

The only "thing" capable of dealing effectively with complexity is human beings.

What matters in complexity, as far as problem-solving is concerned, is neither tools, nor standardization, nor rules, nor structures, nor processes – all those things that used to serve us well in the industrial age and its dull markets.

In complexity, the question isn't how to solve a problem, but who can do it. What matters now is skillful people, or people with mastery or prowess. People with ideas. We call them professionals. Professionals who have pupils are called masters.

Problem-solving in a life-less system is about instruction. Problem-solving in a living system is about communication.

{ Complexity can be neither managed, nor reduced. We can only confront it with human mastery. }

The improvement paradox:
In complexity, working on separate parts doesn't improve the whole.
It actually damages the whole

Working on individual parts of the system
does not improve the functioning of the
whole: in a system it is not so much the
parts that matter, but their fit.
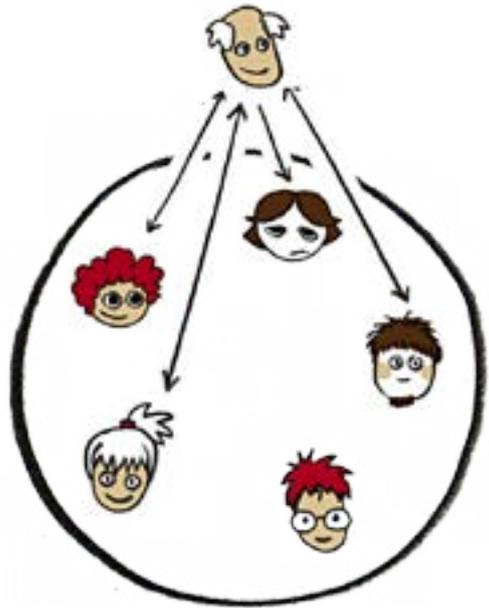
Thinking and acting mechanistically, additively

What really improves a system as a whole is
working not on the parts itself, but on the inter-
actions between the parts.
One might call this attitude "leadership."
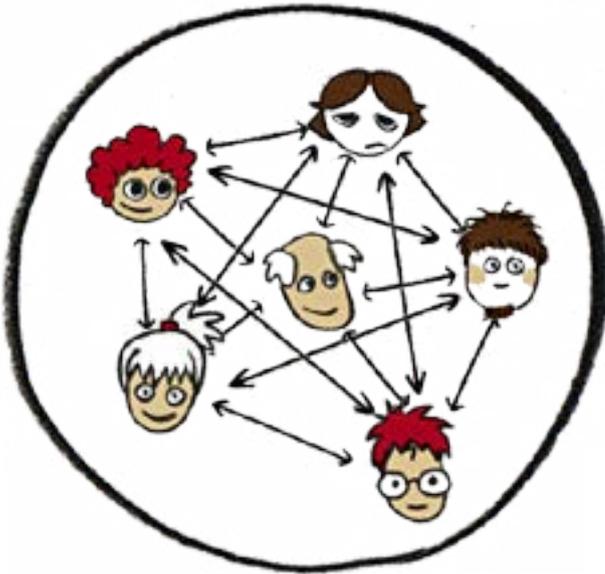
Thinking and acting systemically

{ Systems are not improved by tinkering with the parts,
but by working on their interactions. **}**

Symptoms, or problems?
Not everything that looks
like a problem actually is one

Most of the time when we talk about "problems" in the context of work and organizations, we are not actually discussing problems, but rather symptoms. Symptoms are the visible, touchable effects of a problem. They include defects, mistakes, bugs, or unpunctuality, and resistance against change.

A simple thinking tool that helps to "sharpen" problems, and to get to the roots of problem´s symptoms, is the "5 Whys" technique that became famous through Toyota. It prevents giving in to the temptation of hastily jumping to conclusions or solutions whenever symptoms are observed.
The attempt to find solutions for symptoms alone, or the tinker with symptoms before the problem has been understood, is called activism.

In complexity problems´ complex portions tend to be connected, forming messes.
Because of this individual problems often cannot be solved in an isolated fashion. Just as an uncountable number of water lily leaves may cover a lake´s surface - all coming from only one or a few plants rooted in the bottom of the lake. In organizations, you may find hundreds of problem symptoms, but only a handful problems which may go back to one or two messes. By acting upon the messes with adequately complex solutions, many problems dissolve.
Tools are unsuitable to deal with messes.
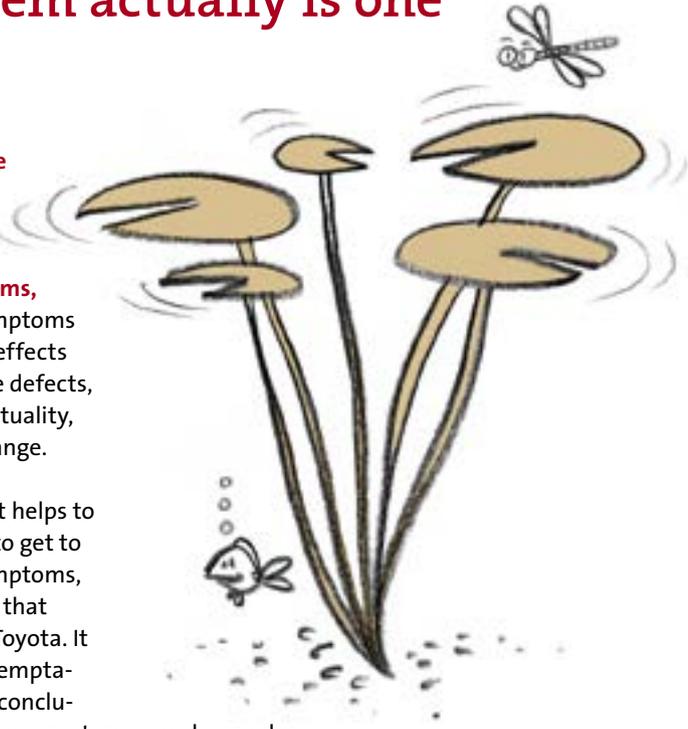
{ **Activism breeds failure and makes learning impossible.** }

Consequences of complexity: The importance of mastering problem-solving in dynamic contexts

In sluggish markets, organizational success was produced by applying Alpha methods and behavioral repertoires. Therefore, people in many organizations know and command just this one kind of repertoire. It is similar to having been raised in England and being used to driving on the left side of traffic.

We tend to ascribe experienced success to our own behavioral repertoire: "I was successful because I acted so and so." **In fact, we were successful because the behavior matched the context.**

Today, in high dynamics, success demands another repertoire, one that is appropriate to this new context, but also one that has hardly been practiced or learned. This new repertoire may even be ridiculed. Then they say: "Soft skills are for people who don´t know anything else," or, "That's a nice-to-have, but not performance-relevant." Failure is ascribed to changes in context, but not our own behavior. So organizations today tend to deal badly with problems by reflex. It is like driving a car in England after having just arrived.

{ **We must re-train our reflexes.** }

About the author

A way to describe myself: I am a consultant, speaker and author living in New York City and Wiesbaden, Germany. I regard myself as a serious business thinker, but also as a practitioner: as an advisor, I help managers and organizations of all kinds to master profound change. For five years, I was a director with the Beyond Budgeting Round Table BBRT, a think tank. Before that, I had worked as a controller at multinational industrial corporations for a few years. During this period, I discovered my passion for organizational transformation, with which I have been engaged full-time since 2003 in a variety of roles. This is my fourth book about this topic, and my first book ever to be published in English. All concepts presented in this book are both research-based and practically tested.

Another way to describe myself: Early-on, I wanted to experience and understand the world. So I looked for opportunities to get to know different cultures and countries, and to work in diverse contexts. I spent one of my college years in Seville, Spain, and later worked in Buenos Aires for a while. I lived in São Paulo for 12 exciting years. Through my work, I found and find opportunities to experience work and life in in many countries, and I got used to working in four languages. All that, I believe, has shaped my view of organizations. Despite differences in language and culture, our handling of work is surprisingly homogeneous, globally, which is probably explained by conditioning during our formative years. Learning and education have consequently become a matter of strong interest to me as well. Since 2011, I have been teaching leadership and high performance in complexity at several universities and colleges. I am a dedicated promoter of and activist for profound reform within business education.

My white papers in English are published on the portal of the BetaCodex Network, a movement I cofounded. You can access the white papers from this page: www. betacodex.org/papers . **I look forward to hearing from you. So get in touch, if you like.** E-mail: contact@nielspflaeging.com. Follow me on Twitter at @NielsPflaeging

About this book

Organize for Complexity turns out to be quite a distinctive book, compared to my previous ones. I enjoyed gaining some experience with writing and publishing books on leadership. Between 2003 and 2011, I wrote three, all in all, among them "Leading with Flexible Targets" and "Bye-bye Management!", which were published in German and a few other languages. I am pleased that reviews and feedback from readers and critics were always predominantly positive and even enthusiastic. Including a few business book awards.

But I could not help noticing that the ideas on leadership, change and learning that I endorsed in my books only reached and (more importantly) touched a tiny fraction of their intended audiences. I wanted my readers to have a similarly intense, fun and engaging experience that I saw audiences having in my workshops, seminars and keynotes! But that did not quite seem to happen with the books. The traditional textbook format may convey that kind of experience to some - but certainly not to everyone.

So with this one, I am trying a fresh approach to the business book. It is designed to reach "readers" and "non-readers" alike. Those who like words. Those who like imagery, visuals, color, playfulness, aesthetics. And those who want to experience fun while learning something useful about business, organizations, and leadership. This book is designed to be "read" and experienced in greatly varying ways.

Writing, editing and publishing this book felt very different from what I experienced with my other books. It was a much more intimate process: approaching the work without a traditional publisher gave me full control over all elements of the book, for the first time. Which was and is truly refreshing, and exciting.

I hope this book will be the start of a journey for you. I hope you enjoy it and that it will inspire you to act on it!

Updating organizations and work for the knowledge age

A book about complexity and work – and about how to deal productively with both. A condensed introduction to the theory and practice of organizational high performance. A manifesto for contemporary leadership and profound transformation in organizations of all kinds.

Praise for books by Niels Pflaeging

"Boldly, Pflaeging dissects classic management theory and in a well-humored manner, offers coherent alternatives."
Harvard Business Review

"Niels Pflaeging is the father of the end of management."
Winfried Felser, competence-site

"When Pflaeging shakes the dogmas of management, they crumble in his hands."
Financial Times Germany

"Niels Pflaeging is always right up front, where the new in business is getting measured and mapped."
Peter Felixberger, changeX