Complexity and methods to succeed – Thanks for the books Organize for complexity and Komplexithoden

By Sebastian Radics
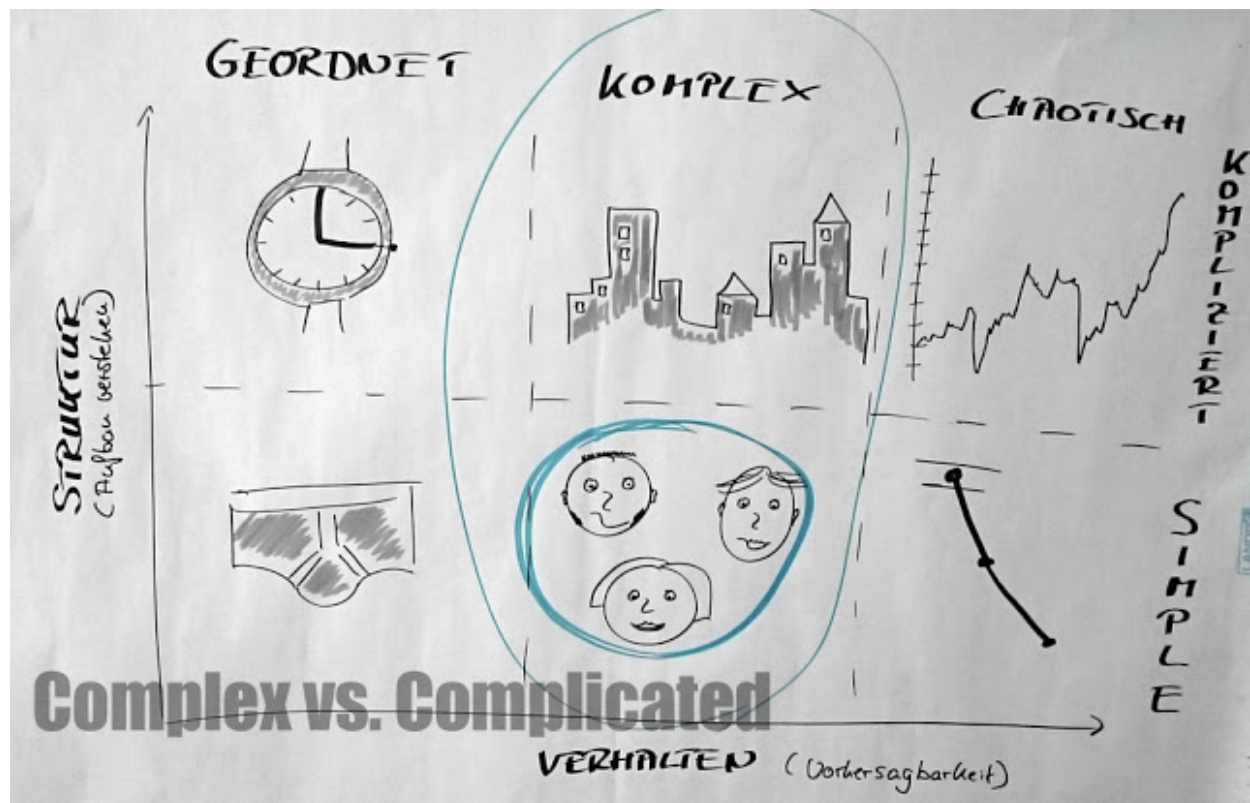
Taken from Management 3.0 by Jurgen Appelo

What a reading week, I finished Nils Pfläging's Organize for complexity and Komplexithoden (written together with Silke Hermann) and I'm on the way reading Führen mit flexiblen Zielen (Leading using flexible goals).

Both books helped my to further understand complexity and why our todays working environment needs new approaches to survive. Nils Pfläging did a great job in explaining and creating standards for terms to be used when talking about complexity.

The collection of Komplexithoden (see a short summary of the first 9 ones below) is a really helpful list of possible alternatives to often blindly applied blue methods, that are not helpful to be used in complex environments.

Read on to get some impressions from the book and follow some of my learnings.

Some definitions and key insights

Complicated is …

We don't understand it yet and need more knowledge to be able to fully understand it. But it is possible to get a full understanding by learning.
It is a measurement for missing knowledge.
Guiding question: How does it work?
Methods used to work with complicated topics are further described as Blue.

Complex is …

It is a measurement for how many surprises we need to expect. The more surprises are expected, the more complex it is. Dynamic – is the amount of surprises (that an organization can work with).
Guiding question: Who can do it?
One cannot manage complexity but one needs competence.
Methods used to work with complex topics are further described as Red. Nils created the new term **Komplexithoden.**
Update:2015-11 – I learned the translation for Komplexithoden is complexitools.
Complexitools
- are strongly connected with human interaction
- integrate thinking and doing
- tight relations are more important than the tool itself – Komplexithoden increase social density

Questions to raise when searching for a method:
- Does the chosen approach fit to the dynamic of the problem to solve?
- Is the method dynamic robust?
- Does the method match to the possible surprises to be expected by the problem?
- Does the method lead to higher value relations in the organization? (Does it increase social density?)

It needs a combination of learning and practical experience – high competence. (Just learning is not enough)
Information can be shared (machines can be used) – *Knowledge* can be acquired through learning – *Competence* needs exercising.

3 Structures to consider in our organization – formal, informal and value adding

Formal Structure
- Compliance (legal requirements, contracts, billing)
- Board, supervisory board, …

Used to show/establish the power structure
> Organization chart and lines in it (formal empowerment and hierarchy can be seen as enemies of complexity robustness)

Power (position power) is called *hierarchy.*

Compliance leadership.
Formal structure is just necessary for compliance reasons, nothing else.

Informal structure

It shows the social face of an organization. It's about people and their relations. Whom do we know? Like? Connections through shared interests and experiences.
It's the social network of the organization.
Power (social power) established by informal structure is called *influence.*
Leadership by influence.

Value adding structure
- the (only) area where success and achievements are created
- value gets created through *together* and *for each other* of players and cells.

You can find it where networked achievements are created.
The power of players in the value chain is called *reputation.*
Leadership by Reputation.
All 3 structures closely and permanently interact. Their balance is important for performance and effectiveness. Leadership consists of a formal, informal and value adding dimension.
Implications for leadership
- it is an interactive process
- cannot be connected to just a person (the hero), because it's created through interactions (of many people)

Alpha and Beta

Alpha companies still use tayloristic management and organization approaches.
Beta companies consider complexity and adjust the organization to become robust and agile.

The challenge today

Complex problems are often still addressed using blue (complicated) problem solving strategies. It creates suffering organizations. Blue organizations tend to look at symptoms (optical illusions, projections) instead of finding the root causes (the real problems).
E.g. the assumptions of the "unmotivated employee".
Hierarchical control is to slow and is not dynamic enough to react in fast changing environments. Organizations need to be structured decentralized instead of hierarchical.
The periphery has close market context and the center provides services. The center is strongly connected with the periphery and "shakes with it".
Even small remaining parts of the Theory X (see Douglas McGregor's Theory X and Y picture, how we see the human nature) thinking lead to hierarchical-bureaucratic organizations.

Often fascinating, highly dynamic Startups (young and unexperienced beta companies) erode to default, boring Alpha companies – caused by growth and/or a crisis and the wish for more "professionalism" … best practices get copied, consultants are hired, processes and rules and more and more formal structures are established. Often too fast and unreflected – using useless alpha management rituals.

Hierarchical structure and differentiation by function is the way to become an alpha company.

Iterative cell division and decentralization of decisions lead to an adult beta company.

To become an adult beta company needs a high communication culture – many opportunities, various methods and channels for communication. Komplexithoden can support.

One can compare organizations with a theater – having a stage and a backstage. In companies the "hidden" backstage is essential for driving changes (there you can find the taboos). It needs special tools like cultural observations, special interviews and chained talks to uncover it.

Strategy was yesterday. Market dynamics overcome the illusion of 3-5 year plans (the separation of long and short term, predictability and controllability).

If all always think, integrate and arrange it does not need a long term strategy.

We need relative goals instead of fixed goals (MBO, plan/actual comparison).

We need to be prepared through exercising and discipline that make use fast and flexible under real conditions.

Working against waste is a task for EVERYONE in the company, permanently .

Waste (e.g. bad communication, overwork, missing information, queues, bottleneck overuse) is often invisible for current controlling systems.

To motivate a human is impossible. To demotivate is simple.

Motivation is intrinsic and individual. It is part of the identity. We confuse motivation with motivating (the try with extrinsically driven way like rewards, social acknowledgement, fear). Extrinsic motivation starts overlapping our intrinsic motivation – and will replace motivation by the topic with orientation to reach the extrinsic motivator (like money, acknowledgement,…)

Complexitools for Performance

In the following chapters you'll find a brief summary for listed complexitools that belong to the area performance (in complex environments).

Letter to ourself

- A description of ourself. What is our identity?
- 10-30 pages describing past, now and the companies perspective aiming to remember and showing the importance and urgency of a change
- created identity and insights
- an expression of appreciation for the organization itself and all people working in the organization

Relative goals

- enable teams to act entrepreneurial – autonomous and intelligent having the whole in mind
- provide hints, raise questions and foster dialog but do not judge
- no up front defined fixed future values but relate achievements to other internal or external real comparable achievements … team to team
- organizational value creation is not individual but team based … thats why individual goals heavily undermine value creation and the thinking
- no internal negotiation necessary
- e.g. relative result in comparison to the market (to another team)

Relative result comparision
- actual/actual comparision
- compare to other teams, external teams and other benchmarks
- team measurements like costs over revenue, customer satisfaction

Relative Salary

- the same salary approach does not fit as we have to consider individual roles, experiences, background and competencies.
- pay the position is not working and needs to be replaced by pay the person – with fairness, fair differences
- considering market value and the value through the roles for the organization

Consider:
- pay fair and custom fit (and get salary out of the head)
- individual abilities have to be matched by the fixed salary (not for variable parts)
- aim for transparency and fair, informed decisions for yearly salary adjustments
- influential factors – seniority, age, education, experience, market value, capability
- open basic salary information

No individual variable salaries like bonus payments and incentives! (The carrot stick method)

It leads not to better capabilities but people finding ways to match the expectations set by the goal often using strange ways (and destroying the company).

But:
- profit sharing – let everyone participate on a companies success
- enable transparency on the financial situation of the company
- remove individual or team based variable salary parts by adding it to the fixed salary
- when using variable parts (profit sharing), enable it for everyone (best with the same size) – aim for participation not more
- avoid indicators that are difficult to measure or to influence (like stock course, quality, customer satisfaction) – as it will lead to manipulation

Peer Recruiting

- Finding new team members is a high value topic for an organization
- have single interviews and if possible a trial working time together
  - no heavily standardized interviews
  - discover various perspectives
  - at least 3 single interviews
  - all interviews share their experience and insights afterwards
  - everyone can reject a candidate – this leads to a rejection (consensus based decisions, no majority decision)
  - group interviews are not helpful as it hinders dialog and can lead to a tribunal like atmosphere
- Mindset and cultural fit (get at least as important as skills, experience)
- Interview attitude: ***We explain each other why we will fit together***

Cell Structure design

- smallest activity unit is the team
- includes all functions to act autonomous, self organized and with high communicative density
- members should be divers but also similar competent
- takes responsibility
- coordination between cells – market driven and not hierarchical and bureaucratic
- create cells by thinking from the market

Org Infos and Info Shops

- services like HR, administration, finance, logistics are in the organization center and sell their services to the peripheral cells
- offer informational services e.g. IT services, reports, financial reports, …
- and organizational services like contracts, reception, facilitation,…
- show their services in a catalog

but are not longer utilities for central steering but supporter for peripheral teams.

Invest decisions

- decide as late as possible and as early as necessary (especially in risky environments and decisions)
- hierarchy slows down decision making – channeling and filtering waste time and energy
      committees work with political dynamics and own agendas
- sunk costs – decisions made to early and real world conditions already changed when decisions get implemented
- decisions are made by a group of people involved in a project/topic and not just by hierarchie

Value based pricing

- think and establish products and prices driven by the market needs and not by planned costs – what is the customer value … relation, value, price, product
- check the real customer value (not ones fictive one)
- customer relation first – pricing second

Rules vs. principles

Rules
- given by Authority
- just followed
- if-then based – problem has to be known
- creates security in complicated environments

Principles
- created by a social group for themselves
- to solve known but also unknown, surprising problems
- less principles for solving many problems
- creates security by universality
- allow complex behavior
- sign confusion (when using too many rules)

…to be continued…
Through my next posts I'll further share my summaries on complexitools for Agility, Learning and "the remaining". I hope you got inspired too? Maybe you start reading more about complexity … and share your insight's too. Please drop a comment with your recommendations 😉

Update 2015-11-08: Read Part II – Komplexithoden for Agility
Update 2015-11-24: Read Part III – Complexitools for Learning and agile project work