

Making Companies Whole: Being Comfortably Out of Control

■ by Tim Harle



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This talk was given at to the Wholeness at Work conference in the afternoon of Saturday 12 April 2008.

The brief I was given is that 'Some organisations are sick. They are spiralling downhill and exhibit vicious cycles of behaviour.' If presented with the litany of Enron, Arthur Andersen, Global Crossing, WorldCom, Parmalat and Tyco, we could quickly unite and say how terrible they are (or were). More shocking, perhaps, is the name of a UK company which made the headlines this week: Severn Trent, which was fined nearly £36m. by the regulator for providing false information and poor customer service. The Serious Fraud Office may bring a case against it. I did quite a bit of business with Severn Trent in the early 1990s, and at that time they struck me as a well-meaning bunch of people. I am intrigued to know how a company with a strong ethos of public service ended up by committing these serious offences and receiving a heavy fine from the regulator.

I call myself a business ecologist. This is because I believe we can learn in business from living systems in the world around us. We in the West are too sold on the idea of a mechanistic universe, a Newtonian model. I hope to make us aware of other ideas which throw light on the health and sickness of a company. I work at the interface of many different areas – psychology, philosophy, theology, sociology, organisational studies, leadership studies – and find plenty of scope for fruitful interconnections.

Learning from Near Misses

Judi Bevan has written a book with the intriguingly Christian-sounding title of *The Rise and Fall of Marks and Spencer...And How It Rose Again*.¹ In it she describes aspects of a once healthy system that became unhealthy. In the 1920s Simon Marks, the son of one of the company's founders, had a self-critical insecurity which

was good for the company's growth; he was always ready to kiss good-bye to the past and start again. Compare this with the attitude of Rick Greenbury and Derek Rayner in the closing years of the century. They looked longingly backwards for a solution in the archives, and their boards of directors offered what Keith Grint has described as 'destructive consent'. In the 2000s Marks & Spencer has revived under Sir Stuart Rose, whose recurring theme has been the need for restless dissatisfaction.

IBM experienced a similar need to reinvent itself in the 1990s. *Who Says Elephants Can't Dance*² is former CEO Lou Gerstner's inside account of its turn-around. Gerstner inherited a situation where he received endless briefings about technical issues but there was no mention of culture, teamwork, customers and leadership. He realised the

challenge was not a logical linear one but counter-intuitive, focused around social cues and emotions rather than reason. Realising that the company's ecosystem had become vulnerable to attack – there's ecological language for you! – he promoted continual restless self-renewal as a permanent feature of IBM's corporate culture. The similarity between his remedy and Rose's is clear.

Comfortably Out of Control

In the world of nature, we are used to the process of growth and decay. It is written into the seasons of the year: spring, summer, autumn and winter. We shouldn't be too concerned if we see the same pattern in organisational life. We observe product life cycles, for instance, in the musical industry: records, cassettes, CDs, etc. These include blind alleys (who remembers 8-track cartridges in the 1970s?) and exciting periods of overlap, which are often characterised by turbulence. These times of turmoil may come after periods of sustained growth. A colleague of mine believes that one should always change a winning team, even when things look wonderful – it is never appropriate to rest on one's laurels.³ This is often expressed in the Sigmoid curve, where processes of feedback and feed forward are all important.

A company's ideal way of proceeding is often expressed in highly linear terms, such as a

rigid sequential line that runs from dreams, values, ideas and mission, through strategies, tactics, operation and structures, to rules, procedures and norms. Similarly, leadership structures are articulated in a hierarchical way, as in John Adair's neat pyramid of strategic leadership, operational leadership and team leadership. Have you ever come across a living system that looks like that? Progress is often much more unpredictable, and leadership is apt to emerge in unexpected places, as with Nelson Mandela in a prison cell on

Robben Island or Aung San Suu Kyi in a house in Burma. We need to take on board insights from complexity theory. The prevailing management theory (as taught, for instance, at Harvard Business School) is 'I am mostly in control, the rest is luck'. On this paradigm, being out of control is distinctly uncomfortable. A business ecology view is 'My control is limited, but I can influence how a community spontaneously organises itself'. We need to get used to being comfortably out of control – a mantra I never tire of repeating.

The Sigmoid Curve



What is it?

The Sigmoid Curve is an S-shaped curve, described by Charles Handy*, which can be used to describe the life-cycle of products, organisations, empires and even relationships. As the curve symbolises, nearly all of life's endeavours start slowly. They dip and falter through an experimental stage before rising to a pinnacle of success, after which there is inevitable decline.

On its own, the S-shaped curve is a bit depressing, and not particularly helpful. Its power comes when we add a second curve to it. Charles Handy suggests that constant growth and development is achievable if we start a new initiative before the first one begins to wane (point A).



Paradoxically, this means making changes when the first curve is nearing its peak and the venture is flourishing. This is when there is the time, resources and the energy needed to see a new curve through initial explorations and floundering. Although there will inevitably be more motivation to change at "B" when the first curve is in decline, at that point it takes enormous effort to move to where one ought to be on the second curve.

* Adapted from Handy, C. (1994) *The Empty Raincoat*, London: Random House

How do we make it happen?

Knowing when to start a new curve is one thing. Actually getting it going at the right time is quite another. Whether the second curve is a product, a way of operating, a strategy or a culture, it will require fresh ideas and inspiration; and always be different to the first.

Handy believes that in an organisation, the people who lead the second curve will also have to be different. Not only do original leaders need to keep the first curve going while the second takes off, they will also find it difficult to abandon their first curve while it is doing so well: there is a strong temptation to recapture past glories. What this means is that for a time there will probably be tension and confusion (the shaded area) while new ideas and new people coexist with the old until the handover between first and second curves is complete.

But as Handy puts it, the paradox of success is that what got you where you are won't keep you where you are.

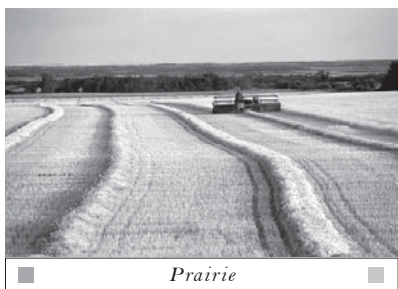
When do we do it?

So the key question becomes, "where are we on the first curve, and when do we need to start the second?" Handy suggests we will only know this for sure when we look back and, without hindsight, it is best to proceed by guess and assumption.

What this means in practice is that we must constantly engage in second-curve thinking. We need to stay sceptical, curious and inventive, challenging the assumptions underlying our current curve and developing alternatives. We need to ask questions like, "if we did not exist, would we reinvent ourselves and, if so, what would we look like?". It is this kind of thinking that gives birth to second curves.

In a nutshell, the message of the Sigmoid Curve is that we need the foresight to start making changes even when it is not yet obvious that change is necessary, and the courage to switch from one curve to the next when the time has come.

Let me express this in another way, again with an image from nature. The dominant organisational model is the prairie, where you try to line things up in straight lines. A more sustainable model is the rainforest, which is more chaotic, scary, and where it's difficult to work out what's going on.⁴



Prairie

Control: A Theological Reflection

Reflecting theologically on the notion of being 'comfortably out of control' raises significant questions. Is this something rooted in the nature of God? Does God allow things to burgeon out of control - both in nature and with regard to humanity? Reading the first creation story from a complexity perspective reveals deep insights⁵. And if the breath of God was hovering over the primeval chaos, what of the Pentecostal outpourings of the Holy Spirit? Similarly, did Jesus exercise a surprising lack of control, eg in sending the disciples off on missionary journeys when they only had a hazy idea of what he was up to?

Obviously, there is a delicate theological balance to be struck - we believe in a God who exercises providential care and is actively



Rainforest

involved in his world. But God is not a control freak. We do well to ponder the tragic situations we encounter at both a personal and global level. We are given terrifying degrees of freedom, which we can use for wonderfully creative or destructive purposes. Although one or two pioneers have begun to explore this territory⁶, this new approach is much too important to be left to the scientists and theologians - it profoundly affects our whole understanding of God and the world.

Five Conditions of a Healthy System

Here I draw on research from an organisation I work with, *Human Insight*, led by Professor Peter Robertson. He has identified five conditions of a healthy system:

- Consistency - notably congruence between word and deed
- Alignment - of vision and purpose: everyone in the organisation knows what it's there for
- Systemic Dialogue - procedures being in place to promote dialogue

■ Critical Mass - recognising that this may consist of quite small numbers of people, who can be highly influential, either in maintaining the status quo or effecting radical change

■ Exploratory Discomfort - the restless dissatisfaction promoted by Rose and Gerstner; this contrasts with the notion of equilibrium, which can represent death.⁷

Let me tell you about two case studies in which I was personally involved. The first was an English local authority in what had been a traditional mining area, with significant multiple deprivation. It was not a happy place to work; the chief executive was described in a public meeting as an autocratic bully. Visit the gents and the words 'Are you feeling bullied?' stared you in the face. A new chief executive was appointed, who made an

enormous difference - he is the best example I know of a quiet leader. He isn't outwardly impressive, but makes time to talk to people, listening, chatting and picking up their concerns. An advertisement in an internal newsletter asked the

question 'Could you help motivate change across this authority?' Twelve new leaders were recruited, covering most, but not all, of the 16 service areas. They reinvented a staff suggestions scheme: not rocket science, but this time it worked, because of the responsiveness of senior



Professor Peter Robertson

management to the ideas put forward. Within 18 months the local authority had won a Government award for customer service, and the new team were 'gob-smacked' at what they had been able to achieve.

The second example is a European utility company, which



Michael Dell

had an enviable reputation for technical excellence, but was struggling with its responsibilities to customers – understanding their needs, delivering excellent service – at a time when it was under strong pressure to cut costs. Searching the world for best practice, the company spent 75 million Euros on a corporate change programme, hiring a Big Six consultancy. This was followed by a marked deterioration in performance. The consultants went back across the Atlantic with their wallets bulging, leaving the company battered and bruised, pining for the good old days when things were just terrible! The company suffered ridicule in the national media. The Board then made an interesting decision. They changed tack, went to the retail sector to recruit one senior manager and a shop manager. They took away a lot of

the management systems in place and decided to trust the workforce. They found that the seeds of revival were already there within the company. Customer service was transformed not by new systems but by a new culture which emerged. Consistent leadership encouraged self-organisation. Whereas the prairie, represented by the beautifully managed project, failed to produce results, the rainforest did.

Redemption and Transformation

Transformations of this type have a redemptive quality. Redemption entails change for the better at a cost. We need to have a healthy attitude to failure. Michael Dell, President of Dell, Inc., says 'To encourage people to innovate more; you have to make it safe to fail.'⁸ Similarly, the President and CEO of NASDAQ: 'For companies focused on organic growth, failure – in reasonable proportion to success – is a sign of health.'⁹ So long as lessons are learnt from failure, it can be can be very instructive. Christian faith encourages us to be honest about our failings and move on.

We also need a healthy attitude to control. There is a cost involved in letting go: it feels scary and uncomfortable. We prefer to try to manage change. In fact this is an oxymoron: we cannot manage change. I run a course at Bristol Business School called 'Managing Change? You Can't'. It doesn't have a lot of takers, but those who come find it helpful. Margaret Wheatley, quoting two biologists, Maturana and Varela, has said: 'We can never direct a

living system. We can only disturb it.'¹⁰ This itself is a disturbing statement. Similarly CISCO, for a brief time the world's most valuable company, discovered that 'For a company used to *making* things happen, it is very hard to convert to *letting* them happen.'¹¹

Another key message is: stop communicating values! The only way to communicate a value is to act in accordance with it, and to give others the incentive to do the same. Over the last 20 years Southwest Airlines has been much the most successful US airline. When Ann Rhoades, EVP of Human Relations, left the



Ann Rhoades

company, she said: 'Values were central at Southwest Airlines, but I think they just happened.'¹² I suspect this isn't actually true. Values were the result of the overwhelming consistency in the way that the leaders of the company acted. I like the story about how, when the company was desperately short of pilots, it decided *not* to employ a well qualified interviewee because of the way he treated a member of the administrative staff on the way in to the interview. Pilots were required to have a servant mentality.

Ethical statements are certainly no guarantee of how a company will behave. Enron had the stated values of communication, respect, integrity and excellence! Lou Gerstner has said 'This codification, this *rigor mortis* that sets in around values and behaviours is...often devastating for successful enterprises.'¹³ Rather, you move from vicious to virtuous cycles of behaviour: you get a healthy organisation through the adding together of 1000 small things that contribute to a corporate culture. Last week I was at a conference where Mark Greene, the Director of the London Institute for Contemporary Christianity, cited the example of a highly regimented research laboratory where scientists were meant to stay apart and work in their cubicles. An employee deliberately subverted this culture by offering Hobnob biscuits to the staff in the middle of the morning to encourage them to come out and talk to each other.

A key value or virtue in all this is the biblical quality of loving kindness (Hebrew *hesed*). In Psalm 26:1-3, the person who walks in integrity, trusts in the Lord and is confident about God testing his mind and heart, proclaims: 'For your steadfast love is before my eyes'. If we are looking for consistency, we can do nothing better than reflect on the biblical example of God's steady, steadfast, covenantal love. ■

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Notes

- ¹ Bevan, J. (2007), *The Rise and Fall of Marks and Spencer...And How It Rose Again*, Profile Books
- ² Gerstner, L. (2002), *Who Says Elephants Can't Dance*, HarperCollins
- ³ See Robertson, P. (2005), *Always Change a Winning Team: Why Reinvention and Change are Prerequisites for Business Success*, Marshall Cavendish Business
- ⁴ See my article, Harle, T. (2007), 'The Prairie and the Rainforest: Ecologies for Sustaining Organisational Change', *Business Leadership Review* 4:3, pp.1-15.
- ⁵ Keller, C. (2003), *Face of the Deep: A Theology of Becoming*, Routledge.
- ⁶ O'Murchu, D. (2004) *Quantum Theology*, rev. edn, Crossroad; Bonting, S.L. (2005), *Creation and Double Chaos*, Fortress.

- ⁷ See the thesis that 'Equilibrium is death' put forward by Pascale R.T., Millemann, M. and Linda, G. (2000), in *Surfing the Edge of Chaos*, Crown Books
- ⁸ Dell, M. (2004), *Direct from Dell*, Profile Books, p.127
- ⁹ Robert Greifeld quoted in Gulati R. *et al.* (2004), 'How CEOs Manage Growth Agendas' *Harvard Business Review*, Jul-Aug, p.124.
- ¹⁰ Wheatley M.J. & Kenner-Rogers, M. (1996), *A Simpler Way*, Berrett-Koehler, p.49
- ¹¹ Moore, G.A. (2006), *Dealing with Darwin: How Great Companies Innovate at Every Phase of Their Evolution*, Capstone, p.50
- ¹² Hoffer Gittel, J. (2003), *The Southwest Airlines Way: Using the Power of Relationships to Achieve High Performance*, McGraw-Hill, p.226
- ¹³ *Op. cit.*, p.185

HEALTHY COMPETITION

A man I'll call Brian had a successful estate agent business with many clients, some of whom belonged to his same church. A friend of Brian's, also from the same church, entered the estate agent business. Excited to make her mark, she began aggressively soliciting business, and in doing so, she began courting the business of some of Tom's clients. One of these clients was torn between wanting to help this new upstart get her business off the ground, and continuing to do business with Brian. Brian's question to me was, "How do I handle this situation with integrity?" My answer would surprise most business people. The typical competitive mode of operation is to drive hard for the business, pushing competitors aside, but the biblical solution is much different.

Proverbs 25:21-22 instructs us, "*If your enemy is hungry, give him food to eat; if he is thirsty, give him water to drink. In doing this, you will heap burning coals on his head, and the Lord will reward you.*"

One commentary explains that heaping burning coals on someone's head represents an Egyptian ritual. In Egypt, a guilty person would carry a basin of burning coals on their head to reflect their repentance or change of heart. By being kind to our competitors, we may turn their hearts to God.

My advice to Brian was to become a mentor to this new estate agent. By showing her the way to success, he would have the opportunity to teach her proper business etiquette, help her to be successful, and perhaps win a friend who would never dream of stealing business from him in the future. Brian will also get God's reward promised in Proverbs.

In your dealings at work, consider treating your competitors with respect and kindness rather than slander and ill will. You might just turn an enemy into a friend.

adapted from *Worklife Ministries* at www.hischurchatwork.org