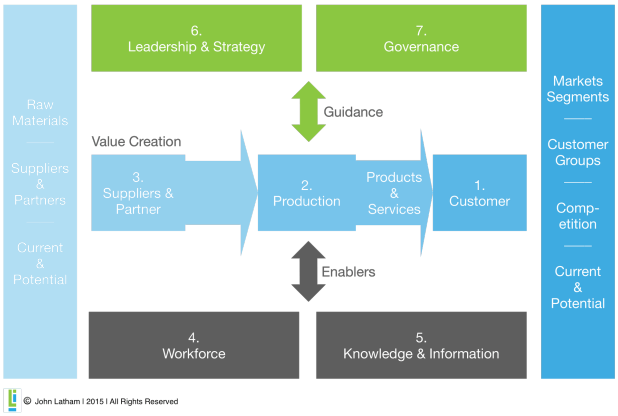
BY JOHN LATHAM

# Understanding the Organization System




**Organization Systems Framework**

Using a system to understand and lead an organization is not a new idea – it is at least 2,500 years old. According to Mo-Tze (a.k.a. Miscius) a Chinese philosopher around 500 B.C.E. “Whoever pursues a business in this world must have a system. A business which has attained success without a system does not exist. From ministers and generals down to the hundreds of craftsmen, every one of them has a system. The craftsmen employ the ruler to make a square and the compass to make a circle. All of them, both skilled and unskilled, use this system. The skilled may at times accomplish a circle and a square by their own dexterity. But with a system, even the unskilled may achieve the same result,

though dexterity they have none. Hence, every craftsman possesses a system as a model. Now, if we govern the empire, or a large state, without a system as a model, are we not even less intelligent than a common craftsman?" (Wu, 1928).

## Deming's System of Profound Knowledge

Understanding the organization as a system is one of four main components of Deming's system of profound knowledge. Deming (1994) identifies three concepts key to understanding the organization as a system.

1. **Interdependency** – systems are composed of interdependent components that require communication, cooperation, and coordination.
2. **Obligation of a component** – while the system is composed of individual t is to maximize the overall ce of the individual component. terdependency and obligations r negotiation among the key departments and divisions in the organization, suppliers and partners, customers, so on and so forth.



These three concepts, when combined with systems thinking, can provide deep insights into the organization or what Deming called, "profound knowledge."

## Systems Thinking

Systems thinking, as popularized by Peter Senge in his 1990 book *The Fifth Discipline*, focuses on the dynamic flows of inter-connected activities and information. It is one thing to think about individual exchanges between the interdependent components in a system and quite another to understand how the flows of energy, information, etc. "play out" over time in a dynamic system. In dynamic systems, the distance between cause and effect is often separated in both **time** and **space**. The delay between action and result in organizations can be

months or even years. Humans learn best when the feedback (the result of the action) is immediate or soon after the action. When the delay is months, it is difficult to learn from the feedback and in fact, it is often difficult to even make accurate connections between the results and the actions. In addition, there is often a separation in space between cause and effect. The interaction and interdependence of the system components result in outcomes that show up in a system component far "downstream" of the initial action. Both the distance in time and space between action and result makes it difficult to transition from the endless reacting to symptoms and "fighting fires" toward identifying and fixing root causes and "preventing fires."

## Leader as Architect of Organization Systems

Over the last 50+ years there have been a wide variety of perspectives on the organization system put forth from a variety of contributors including Deming's production system, Michael Porter's value chain, Jay Forrester's dynamic systems, Russell Ackoff's organization systems, and performance excellence models such as the Malcolm Baldrige National Quality Award Criteria for Performance Excellence. The "generic" organization system proposed here is one that integrates many of the ideas and concepts from the previous models. Developing an explicit understanding of your organization as a system is the first step toward profound knowledge. This is best done as a group exercise with the executive team and then refined over several iterations with input from all levels of the organization. Some leaders might be tempted to delegate such a task. That is a bad idea! CEO's who led successful transformations to achieve high performance were personally involved and focused on systems. They were motivated to work with systems and processes which helped them lead the redesign the organizational systems to achieve results across a comprehensive scorecard (Larson, et al., 2012). The challenge is to understand the nature of the system when the nature of the individual components varies widely. Next week we will address the dimension of psychology

and the multiple stakeholders.

## References

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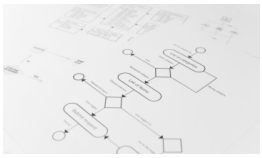

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