Sick Companies

In Part one of this series I argued that there was a deeper digital divide between old economy and new economy workers than simply the ability to manipulate technology. In Part two I laid part of the blame for our discontinuities on the failure of leaders to adopt new models of leadership more appropriate to the transitions we must undergo. In this article I want to focus on that other, more difficult area of resistance to change: the interplay between leadership and corporate culture.

When European colonists populated the Pacific Islands, smallpox, syphilis and the common cold laid the native populations waste. The diseases were unknown to them, and they had no natural defenses. In the same way, established old economy businesses have defensive reactions to these new economy viruses at very visceral levels, far below the rational and strategic level most managers profess to employ. We can identify just three of the many syndromes that companies suffer from, to one degree or another:

- *The Component Syndrome*
- *The Ceaucescu Syndrome*
- *The Forbidden City Syndrome*.

The Component Syndrome

The *Component Syndrome* arises from a mechanistic rather than an organic or ecological view of organisational working. This view states that jobs and roles are mapped, structured and periodically reconfigured within the best system design for the business being engaged in. Specifications for the individual jobs within the structures are drawn up in a very similar way to machine design, and personnel recruitment is treated very much like a component sourcing exercise. Either appropriately configured humans are sourced on the job market through a system of testing against specifications, or they are engineered into the jobs through internal employee development programmes.

Training and development is centred around employee sculpting, either to create best fit for a predefined job, or to do corrective engineering when there is poor fit against specifications. Increasingly organisational theorists are exploring organic or ecological models for how organisations work, because the mechanistic model is largely unattractive to individual human aspirations and ideals of personal growth and development. A recent article in the *Harvard Business Review*, for example, explored the novel notion of "job sculpting", where an individual is encouraged to mould the job according to his or her personal long term goals and aspirations as well as organisational goals.

There are, however, few organisations untouched by the mechanistic model, and there are good reasons for this. Systems that treat employees like replaceable components appear to reduce the risk of loss through employee departure. Performance that is individuated to individual skills and abilities increases difficulties in management, consistency and replacement. As knowledge workers become more mobile, informed and market-savvy, loyalty and long-term allegiance declines. They are not only more aware of the opportunities beyond their present post; they also remember the vast corporate betrayal of the downsizing exercises of the 1990s.

It is hard to resist depersonalising and de-individuating your systems and structures, because it appears to reduce your level of risk in running a consistent and efficient workflow system. And yet, at the same time, we are in an environment where component-based production of tangibles is rapidly losing ground to intangible knowledge-based saturation of work processes at every level in the organisation. Creativity, ideas, questions, learning, improvisation, innovation, decision-making, all

In the mechanistic model, employees are sculpted into a predetermined job-shape - or corrective surgery is done to make sure they fit.

owledge-activity environment, is to unleash the power of the individual over your systems, and this is where the radical discontinuity of the Component Syndrome lies. The dilemma facing the corporate mind appears almost impossible, because it appears that you cannot survive unless you standardise and depersonalise your systems and knowledge flows, and yet it also appears that you cannot survive unless you encourage in your employees skills and attitudes that challenge those very systems.

The Ceaucescu Syndrome

Nicolae Ceaucescu was President of Romania from 1965 to 1989. His regime was characterised by communist-inspired rigidities of structure and control, and probably the world's most pervasive citizen surveillance system, with (the story goes) every telephone manufactured being issued with a bugging device as standard. Enforced resident relocations into concrete housing blocks to make way for grandiose monuments and megalomaniacal building projects, rigid control of industrial output and increasingly xenophobic alienation from the external environment created immense tensions within Romanian society, and the greater the tensions, the higher the level of repression and standardisation and control. In late 1989, the growing popular unrest was suddenly unleashed when the army abandoned Ceaucescu, and within six days of a popular uprising in a regional city, the most powerful dictator in Europe was overthrown in a bloody coup that claimed his life and that of his hated wife Elena.

Employee surveillance, whether through hidden cameras, software that monitors email and internet usage, or activity based costing, demonstrate, to differing degrees, features of Ceaucescu Syndrome, as do apparently pathological attachments to restructuring and re-engineering exercises, and single-minded pursuit of prestige corporate projects at the expense of employee interests and development. Organisations which suffer from this syndrome typically combine highly developed management information systems geared around

imposed targets, with low levels of trust and communication. Productivity is defined according to internally driven standards, and attitudes towards competitors are aggressive and highly negative.

It is easy to understand why Nicolae Ceaucescu became progressively more megalomaniacal the more he became divorced from the realities of his economic and political environment. The only way he could combat the threats to his power either externally or internally was to step up the levels of control, and to impose his own view of reality by force. His prestige projects were frightening attempts to shape the external world according to his own, highly alienated vision of the world. In the end, the real world won, with bloody consequences for the dictator.

Weak forms of Ceaucescu Syndrome are highly pervasive. They arise wherever you have managers whose perceptions, competencies and skills are inadequate to new challenges and demands, either from their subordinates, peers, or the wider environment. Typical reactions involve greater emphasis upon monitoring and control, over-defined work processes, defensive and paranoid reactions to anything that might demonstrate their weakness, and an intolerance for variations from the published norm. Alongside this, but almost completely disengaged from it, there is a highly developed rhetoric of leadership and vision, idealising model behaviour and demonising deviant behaviour.

The syndrome is, of course, highly dangerous for organisations and for individuals, as it was to Ceaucescu himself. The defensive response to a challenging environment is natural when there is a relationship of power at stake. Unfortunately, the easiest way to do this, if you are in power, is to redefine reality according to the old power relationships. Leaders, of course, whether they be political or organisational, have always controlled and defined communication and information flows. We are all practised in requesting and propagating pre-defined information that supports our position, and in demeaning the importance of information that undermines our position. And if it is true that organisations become what they measure, we do indeed get to define who and what we are.

Unfortunately, the world is a good deal bigger than our perceptions of it, and unless we, as leaders, can accept the challenges and sometimes painful reality checks of our environment, the discontinuities proliferate, suppressed only by means of increasingly aggressive propaganda, until the control system fractures and

collapses under the pressures of the real world. Ironically, it is exactly those systems and instruments of information supervision and control that lead to our downfall. Networked corporate email systems were installed on the back of a business case for faster and more timely management information flow vertically within the organisation. Their impact has been chaotic, boundaryless and highly democratic lateral knowledge flow within organisations. Distorted or propagandistic perceptions of reality are now harder and harder to impose, simply because people can communicate with each other more easily.

There is another irony here. We treat the rhetoric of empowerment, creativity and innovation as just another rhetoric, a tool to persuade individuals to align themselves to our goals. In order to protect ourselves from irrelevance and uncertainty, we do not align our own working practices and organisational systems with this rhetoric, because we do not know how successfully we ourselves can compete in an empowered, creative and innovative workplace. So for the sake of rhetoric we invest in training our workforce in all the right knowledge economy skills, but for the sake of our security we maintain our old systems of control, decision-making and measurement. The danger to us is that the generations behind us do not see these skills as a rhetoric, but as a reality, and they are skills that will indeed empower them to replace us.

The Forbidden City Syndrome

The end of the Qing dynasty, with a ruling elite paralysed, frozen in time, and apparently immune from the vast tidal forces of change sweeping the Chinese Empire, is powerfully symbolised by the walls and the rituals of the Forbidden City.

The ruler who is removed from direct access to knowledge of his empire is one of the most persistent images of human history. The stories in the Arabian Nights of the king who goes among his subjects in disguise to find out the truth about his kingdom finds modern parallels in the exploits of King Abdullah of Jordan, and in press speculation about the legitimacy and dangers of the spin doctors and special advisors in Prime Minister Blair's government, or President Wahid's perceptions of what is happening in Indonesia.

And yet, the more senior we are in organisations, the more systematically we filter and define the information we want to see about the external world. A five year research project by the Jenson

Group in the United States recently found that 80% of front-line knowledge workers in the United States feel that they do not have sufficient information navigation and handling skills to make effective decisions in their jobs. Only 60% of their managers felt the same way. The research did not survey senior executives, but we can suppose that the levels of confidence grow the higher you go.

There are two possible explanations for this, and they are not mutually exclusive. The first could simply be that the more effective you are in finding and processing information, the more likely you are to be promoted. The second, equally valid explanation says that the higher you are, the more you get to define what you see. While the front line must deal with a cacophany of information "noise" and few resources to filter it, most of our management information systems are designed to filter out the noise and produce measures of reality that our rulers can use to make decisions and formulate their strategies.

This works fine in a relatively stable environment, punctuated periodically by significant change. In a networked environment where change is a series of chain reactions going off all around like strings of firecrackers, where new business models reverse strategy and originate it from the consumer end of the value chain, the Forbidden City Syndrome is a severe liability. The knowledge that counts is the knowledge buried in the noise at the front line of our organisations. The walls and series of gates, the filters and stages of purification of our knowledge as it progresses up the management information chain to the Chief Executive,

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Chief Executives who do not have access to unstructured information and chaotic noise, will never develop the skills to navigate it and use it. Organisations which do not transmit information skills to their front line will never absorb market-critical knowledge in time to adapt to the new environment. But transmitting the skills to the front line is not enough. The prospectors for gold at the front-line are no good at all, if the information flows towards informing strategy don't work. In the knowledge age, knowledge and information filters need to be defined at the front line, if the strategy makers are ever to stay in touch with the speed of change in the real world.When we define what we see, we see only what we define. It is hard, but necessary, to learn how to see with another person's eyes, and we who are distant and protected from the front line need to learn that ability as a matter of urgency.

The discontinuity this introduces into working life is related directly to our inability to understand what is happening at the edges of our organisations. At the outer skin of our organisations the amount of exposure to different options, amount of information, communication interactions, and decision making needs, is currently increasing by factors of between two and five every three years. We don't see that. What we see is increasing dysfunction at our front lines – if we are enlightened, we interpret it as a skills gap, and throw training at it. If we are not enlightened, we fail to see the skills issue and we interpret it as an attitude problem. The demands of knowledge work, and our poor skills provision for it, place increasing stresses and pressures at the edges of our organisations, and radiate inwards. We are the last to feel them.

The organisations that survive will be those that resource the front line, and allow the front line to help define how the organisation sees the outside world. Training is not enough – systems must also follow, if what is perceived at the front line is to be communicated effectively into strategy.

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