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## A Dashboard for Managing Complexity

Leading people and organizations is fundamentally more complicated than it was 20 years ago—and it's not getting any easier. Economic and global uncertainties, along with innovative technologies, complicate efforts to run a business.

Businesses are also becoming more intrinsically complex. It's harder to predict outcomes because intricate systems interact in unexpected ways.

Interpreting data also proves more challenging because:

- ▶ 1. The degree of complexity may lie beyond our cognitive limits.
- ▶ 2. Past behavior may not predict future actions.
- ▶ 3. In a complex system, an outlier may have a disproportionate impact.

In a September 2011 Harvard Business Review article, business professors Gökçe Sargut and Rita Gunther McGrath distinguish between organizations that are merely complicated and those that are genuinely complex.

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### Complicated Versus Complex

Simple systems feature few—and extremely predictable—interactions. When you turn a light switch on or off, you expect the same result every time.

Complicated systems have many moving parts, and they operate in patterned ways. We can make accurate predictions about how they will behave. For example, flying a commercial airplane involves complicated, but predictable, steps. As a result, it's reliably safe.

In contrast, complex systems may operate in patterned ways, but their interactions are continually changing. Air traffic control is a complex system that constantly changes in reaction to weather, aircraft downtimes and other critical variables. The system is predictable not because it produces the same results from the same starting conditions, but because it has been designed to continuously adjust as its components change in relation to one another.

Two problems commonly surface in complex systems: unintended consequences and difficulties in making sense of a situation. With multiple independent and interrelated parts in a system, it's hard to predict all of the possible con-



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sequences of a change in one component. And with so many data and informational components to deal with, it's tough for an individual decision maker to visualize and master an entire complex system.

Most executives tend to overestimate the amount of information they can process, but humans have cognitive limits. No manager can understand every aspect of a complex business, yet many refuse to acknowledge this reality.

## *Managerial Blindness*

Focusing on only one thing can prevent us from seeing other key areas—a concept known as inattentive blindness. Furthermore, an outlier or rare event may be ignored when it doesn't appear often enough for us to learn how it will affect the system.

Collectively, these problems may cause confusion and hinder job performance. Unfortunately, many companies deal with increasing complexity by further complicating their systems, adding new coordination procedures and structures. Extra layers of management or measurements only serve to decrease effectiveness.

In the same issue of HBR, consultant Yves Morieux reports that managers in the most complicated companies spend 40% of their time writing reports and up to 60% in coordination meetings. Today's companies, on average, set six times as many performance requirements as they did in 1955. Back then, CEOs committed to four to seven performance imperatives; today, they commit to 25–40.

### **Many of these requirements conflict:**

- ▶ They strive to satisfy customers with low prices and high quality.
- ▶ They seek to customize offerings for specific markets and standardize them for the greatest operating return.
- ▶ They want to innovate and be efficient.

If managers are challenged with these complexities, imagine the effect on workers. People at all levels crave clarity and simplicity. A manager must navigate murky waters and emerge with plans that inspire cooperative action. It's not that simple.

## *Real Cooperation*

More than ever, leaders need input from others to grasp complexities and determine how they affect other parts of the system. This requires them to ask a lot of questions. In Morieux's words: "Real cooperation isn't a matter of getting along well; it's taking into account the constraints and goals of others."

Staying on track is much easier with a guide or checklist.

Michael Useem, a professor at The Wharton School of the University of Pennsylvania and bestselling author of *The Leadership Moment*, has published *The Leader's Checklist* to create a clear roadmap for navigating any situation. Key questions help customize the list to fit specific needs.

A leader must be able to keep the big picture in clear view, while attending to all of the small executions that will lead to the right outcomes. Each principle should generate a set of questions that help leaders test, retest, refine and update their preparedness for any situation.

## *The Leader's Checklist*

Professor Useem's list is presented here in condensed form, as space allows. Sample questions are presented with each principle.

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- ▶ **1. Articulate a Vision:** Formulate a clear and persuasive vision, and communicate why it's important to all members of the enterprise.
    - » a. Do my direct reports see the forest, as well as the trees?
    - » b. Does everyone in the firm know not only where we are going, but, most importantly, why?
    - » c. Is the destination compelling and appealing?
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- ▶ **2. Think and Act Strategically:** Make a practical plan for achieving this vision, including both short- and long-term strategies. Anticipate reactions and resistance before they happen by considering all stakeholders' perspectives.
    - » a. Do we have a realistic plan for creating short-term results, as well as mapping out the future?
    - » b. Have we considered all stakeholders and anticipated objections?
    - » c. Has everyone bought into, and does everyone understand, the firm's competitive strategy and value drivers? Can they explain it to others?
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- ▶ **3. Express Confidence:** Provide frequent feedback to express appreciation for the support of those who work with and for you.
    - » a. Do the people you work with know you respect and value their talents and efforts?
    - » b. Have you made it clear that their upward guidance is welcomed and sought?
    - » c. Is there a sense of engagement on the frontlines, with a minimum of "us" vs. "them" mentality?

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► **4. Take Charge and Act Decisively:** Embrace a bias for action by taking responsibility, even if it isn't formally delegated. Make good and timely decisions, and ensure they are executed.

- » a. Are you prepared to take charge, even when you are not in charge?
  - » b. If so, do you have the capacity and position to embrace responsibility?
  - » c. For technical decisions, are you ready to delegate, but not abdicate?
  - » d. Are most of your decisions both good and timely?
  - » e. Do you convey your strategic intent and then let others reach their own decisions?
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► **5. Communicate Persuasively:** Communicate in ways that people will not forget, through use of personal stories and examples that back up ideas. Simplicity and clarity are critical.

- » a. Are messages about vision, strategy and character crystal-clear and indelible?
  - » b. Have you mobilized all communication channels, from purely personal to social media?
  - » c. Can you deliver a compelling speech before the elevator passes the 10th floor?
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► **6. Motivate the Troops, and Honor the Front Lines:** Appreciate the distinctive intentions that people bring to their work; build on diversity to bring out the best in people. Delegate authority except for strategic decisions. Stay close to those who are most directly engaged with the enterprise's work.

- » a. Have you identified each person's "hot button" and focused on it?
  - » b. Do you work personal pride and shared purpose into most communications?
  - » c. Are you keeping some ammunition dry for those urgent moments when you need it?
  - » d. Have you made your intent clear and empowered those around you to act?
  - » e. Do you regularly meet with those in direct contact with customers?
  - » f. Can your people communicate their ideas and concerns to you?
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► **7. Build Leadership** in Others, and Plan for

Succession: Develop leadership throughout the organization, giving people opportunities to make decisions, manage others and obtain coaching.

- » a. Are all managers expected to build leadership among their subordinates?
  - » b. Does the company culture foster the effective exercise of leadership?
  - » c. Are leadership development opportunities available to most, if not all, managers?
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► **8. Manage Relations, and Identify Personal Implications:** Build enduring personal ties with those who work with you, and engage the feelings and passions of the workplace. Help people appreciate the impact that the vision and strategy are likely to have on their own work and the firm's future.

- » a. Is the hierarchy reduced to a minimum, and does bad news travel up?
  - » b. Are managers self-aware and empathetic?
  - » c. Are autocratic, egocentric and irritable behaviors censured?
  - » d. Do employees appreciate how the firm's vision and strategy affect them individually?
  - » e. What private sacrifices will be necessary for achieving the common cause?
  - » f. How will the plan affect people's personal livelihood and the quality of their work lives?
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► **9. Convey Your Character:** Through storytelling, gestures and genuine sharing, ensure that others appreciate that you are a person of integrity.

- » a. Have you communicated your commitment to performance with integrity?
  - » b. Do others know you as a person? Do they know your aspirations and hopes?
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► **10. Dampen Over-Optimism:** To balance the hubris of success, focus attention on latent threats and unresolved problems. Protect against managers' tendency to engage in unwarranted risk.

- » a. Have you prepared the organization for unlikely, but extremely consequential, events?
- » b. Do you celebrate success, but also guard against the by-product of excess confidence?
- » c. Have you paved the way not only for quarterly results, but for long-term performance?

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▶ **11. Build a Diverse Top Team:** Although leaders take final responsibility, leadership is most effective when there is a team of capable people who can collectively work together to resolve key challenges. Diversity of thinking ensures better decisions.

- » a. Have you drawn quality performers into your inner circle?
- » b. Are they diverse in expertise, but united in purpose?
- » c. Are they as engaged and energized as you?

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▶ **12. Place Common Interest First:** In setting strategy, communicating vision and reaching decisions, common purpose comes first and personal self-interest last.

- » a. In all decisions, have you placed shared purpose ahead of private gain?
- » b. Do the firm's vision and strategy embody the organization's mission?
- » c. Are you thinking like a president or chief executive, even if you are not one?

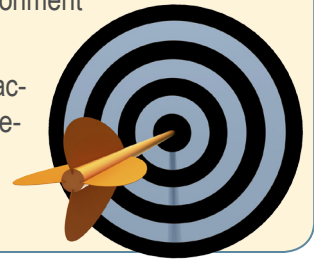
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Not all of these questions are applicable to every situation, but it is the questioning that counts. Whether you are facing a typical day at the office or walking into a crisis, ask yourself and others these questions to inspire correct actions. Only then can you make sense of the complexities you encounter.

Leaders learn to manage complexities not by prescribing specific behaviors, but by creating an environment for optimal behaviors to occur—even though “optimal” cannot be defined in advance.

Problems are solved when you leverage others' cooperation, skills and ingenuity. Employee satisfaction and performance will concurrently improve. There's less need for complicated layers of management, with more energy available to manage situations wisely and effectively.



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