Does your company have nagging problems that never seem to go away? Does your organization remind you of the movie *Ground Hog Day,* repeatedly downsizing, reorganizing, and re-engineering, and never quite getting it right? Is there, seemingly, no resisting these destructive patterns? Do the employees of your company identify with *Dilbert* and its cynical portrayal of modern business culture? Once this situation is recognized how does an organization work its way out of such predicaments? How can Performance Management (PM) help you in the struggle?

**SYSTEMS THINKING**

**And**

**MANAGEMENT BEHAVIOR**

**Insights to Systems-Level Interventions**

By Larry Jones

Consider thinking in terms of systems as opposed to seeing snapshots or discrete events with little or no interrelationship. Are there continuous cause-and-effect loops operating around us having profound negative and positive long-term effects on human endeavors of all kinds? Or are causes and effects purely linear chains allowing for simple, quick solutions to problems with no long-term repercussions? If you simply pay close attention to details, can you master the overwhelmingly complex world of today?

These questions are worth exploring from a behavioral perspective – with an understanding of what makes people do what they do and with recognition of how to change more easily what people do. How do the laws of human behavior work within and drive these naturally occurring, seemingly spontaneous systems, if they really exist? Think of how a Performance Management professional would go about gaining a better understanding of them – helping an organization to escape the cycles mentioned above.

Peter Senge, in his best-selling book *The Fifth Discipline: The Art and Practice of The Learning Organization* describes how our “mental models,” or personal paradigms, are often developed from our tendency to break down large problems into smaller manageable parts. In doing this, we end up mentally isolating events and actions, mostly because their causes and effects are often widely separated in time and space. Once mental models are established, people (and organizations) will vigorously defend them, effectively preventing any real learning from taking place. It is that resistance to learning that Senge and his group strives to overcome.

In organizations, he says, this situation is very much influenced by individuals’ beliefs that they are what they do. In other words, they tend to closely identify with their organizational functions. Departmental “silos,” with thick walls of poor communication and
low levels of cooperation and trust, are a natural evolution of these mental models and their associated behaviors. Behavioral science tells us there must be achieved by focusing on details alone without systems fluency. He advocates building deeper trust and developing higher levels of honest communication within produces the problems they encounter.

He writes that there are two basic kinds of systems – reinforcing systems that tend to

“LIMITS TO GROWTH” ARCHETYPE
Leverage for change will be found in reducing the effects of the balancing system.

plenty of individual reinforcement for these wasteful, counterproductive, “turf protection” and “not my job” behaviors, or they would not be so pervasive.

Senge’s fifth discipline is systems thinking. The other four are personal mastery, mental models, building shared vision and team learning. His ideas are vaguely reminiscent of Stephen Covey’s Seven Habits of Highly Effective People, taken to the organizational level. Both thinkers recognize that business people of today often address problems superficially without gaining an appreciation of their true complexity.

Senge, however, views the problem as systemic in nature and not easily or quickly overcome in organizations. The core of the problem is that our world is one of dynamic complexity, the mastery of which cannot be organizations, based on inter-relationships and inter-dependencies. These qualities do not arise easily. They require much hard work and introspection on the part of the leaders and members of organizations. This seems to echo and build upon Covey’s principle-centered, seek first to understand and win/win notions. Neither author offers quick, easy solutions to these complex situations.

Senge describes a simulation, called The Beer Game, which he and his group have run in many sessions with business people. The game clearly demonstrates how experienced decision-makers can fall into a trap of thinking of their actions as isolated and helps them to better understand their roles within systems. It allows them to begin to actually see systems and their effects for the first time and to realize how it is usually their own behavior that grow or diminish in intensity more and more rapidly and balancing systems that tend to hold constant. These natural systems are not necessarily created intentionally and operate seemingly under their own power. Systems interact with other systems to form several common patterns he calls archetypes. These archetypes and their components make up a language of sorts, helpful in conveying systems concepts.

Senge tells us that companies can actually become addicted to adopting quick, easy strategic business solutions, such as downsizing, reorganizing or cost cutting. Implementing the solutions provides temporary relief from their systemic problems. Things will actually begin to look better for a time but eventually end up worse than before.

They are compelled to repeat the patterns again and again,
trying to overcome the detrimental effects that the short-term solutions eventually have on their business operations. A new face is placed on each successive implementation, making it seem like a new course of action. However, as Covey says, “You can’t talk your way out of a problem that you’ve behaved your way into.”

The pattern becomes more destructive with every cycle because of the development of a downward spiral reinforcing system. Senge identifies this dangerous archetype as shifting the burden, a pattern that appears frequently in modern organizations. It closely mimics the patterns of addictive behavior in individuals and leads to similar results for organizations over time.

Another archetype is called limits to growth. This is the interaction of a reinforcing system driving the growth of a business entity and one or more balancing systems that tend to limit the expansion of the operation. The intuitive management reaction to limited growth is to focus on driving the growth harder, which usually produces less than desirable or even disastrous results.

An example of this situation is People Express, a company that grew very rapidly and had much early success, only to outgrow its ability to maintain quality service. The company’s growth, a reinforcing system, was eventually constrained by the fact that the firm could not hire and train service personnel quickly or well enough to satisfy their quality-minded customer base.

The hiring and training process was a balancing system in this case. Of course there were many other factors working against People Express. Senge feels, however, that it was mainly the limits to growth archetype that ultimately resulted in complete failure of what was, for a time, the darling of the airline industry. Senge’s group has discovered that the most leverage in this archetype, or the place to focus energy for easiest change, is in reducing the constraining effects of the balancing systems. This is usually not obvious to managers. They will often want to work harder at maintaining the growth by stepping up marketing promotions, sales incentives or advertising or by cutting prices. This course of action ends up compounding the problem, actually strengthening the limiting factors, quite the opposite of the desired effect.

What, I believe, Senge describes are complex patterns of behavior. The problems in organizations come from the cumulative results of the behavior patterns and the fact that the contributing behaviors are widely separated in time and space from those results. No one is seeing these patterns and connecting them to their negative results. No one is effectively, or systematically, changing the behaviors.

Typical growth-limiting systems are actually patterns of cost-cutting, investment-limiting, or capacity-constraining behaviors, usually highly valued and reinforced in organizations. Most cost-accounting systems are specifically designed to perform as balancing systems in the manufacturing environment. (Suggested reading in this area: The Goal by Eliyahu Goldratt).

The problem, simply put, is people behaving according to the immediate consequences they experience within the confines of their nonsystems mental models. Behavioral thinkers should recognize these mental models as antecedents, the influence of which we can easily overcome with systems-level feedback and properly focused systematic reinforcement. Strategically aligned performance improvement plans, focused on reinforcing pinpointed behaviors that support growth and expansion, would be the Performance Management solution to the limits to growth archetype.

However, the PM professional must first see the systems that are presently operating. Ideally, he or she should be fluent in the language of systems thinking in order to understand the organization as a whole. It is important to be able to identify the strategic leverage points that can produce change more easily and provide long-lasting improvements and success for the organization. We already know that there is much more leverage...
in managing consequences rather than focusing on antecedents. The secret is in knowing where best to apply the power of those consequences.

A successful overall intervention must take into account the behavior patterns – the systems and archetypes – that are active beneath the obvious level as well as those operating by design. Performance Management, when intelligently implemented at the systems level, can work to align and engineer consequences and contingencies so that they support those everyday behaviors that produce the desired strategic results in the long run.