

You say complexity?

by Stéphane Lhuillier*

Complexity has increased tremendously over last years and will continue to grow-up even faster in the future. Preparing businesses to complexity is now on top of all CEOs' agenda. It requires a purpose-driven leadership enabling people and the organization to analyze their context and to decide the appropriate response to it. Doing so develops creativity and increases decision-making in the organization. Companies become more agile and innovate more. They are better prepared for the upcoming complexity.

A global interconnected world

The amount and the magnitude of the global events we have experienced in 2011 have put complexity on top of everyone's agenda. US credit rating downgrade, the rapid variations of the stock exchanges, the economic crisis, the Arab spring, Tohoku earthquake and tsunami have lasting and cascading effects on our social, political and economical systems.

These events also have substantial impact on all businesses everywhere in the world, as societies, economies and people are more interconnected than ever.

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No wonder complexity was rated the #1 issue by the 1500 CEO's interviewed in the 2010 IBM worldwide survey! Preparing their company to adapt to complexity has possibly become the single most important challenge for CEOs. Most of them, if not all, see however complexity as a fantastic opportunity to build sustainable competitive advantage for their company. Let's get prepared, the first comers will outgrow the competition!

The challenges

Nonetheless, the leaders I work with always tell me about the kind of contradictions they face:

- How could we seize the opportunities offered by the new economies while addressing the challenges posed by mature economies?
- How could I achieve higher business objectives while resources decline?
- How should I lead with such a diversity of cultures, generations and motivations in my staff?
- How could I focus more closely on my customers' needs and expectations while responding to my organization's reporting needs?
- How could I balance my work commitments with my private life, in particular with the growing intrusion of mobile communication?

'We can't solve problems by using the same kind of thinking we used when we created them.'

Albert Einstein

To say the least, they feel overwhelmed just as if there were no ways to resolve them.

Very often, leaders ask me for a ready-made solution to coping with this complexity. *'What would you do, should you be at my place?'* There is not one but many responses. And this is probably why complexity is ... complex!

Context, context, context!

Complexity is context related. The complexity of a Portfolio Director based in New York City deciding investments on the global financial markets is completely different from the complexity of a Business Development Director in Shanghai balancing the needs and expectations of his Chinese clients with his European counterparts. Their contexts are different. Their industries, businesses, strategies are different. So are their complexities.

Understanding the context is essential to be able to encompass complexity. The appropriate response to a complex situation depends on the context itself. It is therefore more important to observe and analyze the context and identify the appropriate response to it. What's going on really? What's happening in the semantic web of business interconnections? How does the context of all parties involved (people, partners...) impact the whole situation?

The inclination to respond instantaneously with a ready-made solution might be attractive from time management viewpoints. However, ready-made solutions seldom help resolving complex issues. They do not address complexity at the level where it arises. Issues keep on coming, often at a faster pace, overwhelming people and the organization.

People and the organization shall develop a new mindset. Getting away from the traditional *'tell me the issue, here is the solution'* and entering in *'what is the context and how to best respond to it?'* This is complex thinking, a holistic manner to apprehend complex situations. Understanding the whole and the different parties at stake, their interconnection and their respective contexts. It enables resolving the root causes at a deeper level. It helps encompassing complexity, feeling much better with it.

Incidentally, it also enables preparing people and the organization for the next levels of complexity to come.

Purpose-driven leadership

For developing this new mindset, leaders need to practice a new leadership style. Not only command & control or goal setting & motivating people but also a purpose-driven leadership: *What are we here for? Where do we want to go? What is the raison d'être of our business?*

Purpose-driven leadership enables people and the organization to better respond to complexity. When confronted with a complex situation, anyone in the organization can analyze it: *What is the context and how to best respond to it? What is expected from me in this context?'* and decide the appropriate response. For this to happen, leaders shall:

- **Ensure the Purpose is shared and understood**
- **Allow time to reflection and actions**
- **Reward good decision-making and results**

Doing so, people and the organization respond faster and more appropriately to solicitations and opportunities. The organization as a whole is more agile; people acquire a higher level of self-achievement and of contribution to the business. They feel better connected to the business, more responsible. Decisions are faster and creativity is at its utmost. Apparent contradictions are resolved at a higher level. The company is prepared to address the challenges and opportunities offered by complexity.

An agile organization can deal with anything that comes its way.

Case study

Paul Martin, 40, is the Managing Director of France leading distributor of agricultural supplies for cooperatives, producers and agricultural distributors. The company was formed by four cooperatives to leverage their purchasing capacities. The Company's owners are also its clients. The four cooperatives Managing Directors sit at the Company board together with Paul.

During the first three years of operations, Paul organized business processes and hired people. The company revenues grew up to €300+ million. After this initial period, Paul started to perceive some difficulties in the relationships with the cooperatives. Some of them were trying to impose decisions and actions to the Company for their own benefit taking advantage of being one of the owners.

When a cooperative was acting simultaneously as a client and an owner, this was creating confusion of contexts. The Company could hardly say no to an owner. This wasn't beneficial to the Company and one could wonder if it was beneficial at all to the cooperative.

That was the time Paul called me to discuss the issue. There seemed to be a confusion of roles in the relationships between the Company and the four cooperatives. The confusion appeared to be at all levels: governance, supply chain, control & finance... The consequences were a gradual lack of clarity in the relationships between the Company and its clients. *Which hat had they on when interacting? Owners/owned? Clients/supplier?*

We convened that we would take advantage of an upcoming board meeting to work on the issue at the highest level. We facilitated with one of my colleagues the 2-day meeting. As a matter of fact, there was no bad will at all from the board members, just confusion of contexts. Simply said, the issue hadn't been addressed, discussed and agreed before. Metaphorically, the board realized that the Company's governance was somewhat similar to the European Union's: member states empower the European Union to set-up directives, which member states shall implement in turn.

The board members recognized the need to clarify contexts and to respect everyone's roles and territories. They committed to pass the necessary messages within their respective organizations and to ensure compliance. They also recognized the need to always analyze the context when addressing issues in their future board meetings. They started using complex thinking in their board meetings from this moment onwards.

Right after the meeting, Paul asked us to help facilitate the change process within the Company. We engaged in individual and management team coaching as appropriate. Naturally, the different coaching and facilitating we did were all context-related.

Context related coaching and facilitating were focused at developing complex thinking. For that, we coached the Executives and facilitated the management team development around purpose-driven leadership. At this point in time, this was not a natural move as the Company, and subsequently its people, had grown up very successfully from start-up.

The management team coaching was focused on developing a shared purpose for the Company. *What is our raison d'être? What do we want the Company to be specific about? How will we enact the purpose in our everyday decisions and actions? How will we share the purpose in our respective functions and business lines?* This work was paralleled with the coaching of the Executives to develop the leadership attributes of allowing time for reflection and actions and of rewarding good decision-making and results.



These coaching and facilitations enabled the Company Executives and management team to gradually develop complex thinking. Consequently, it helped the people and the organization to better manage the relationships with the four cooperatives at all levels to the satisfaction of all parties.

The following two years saw the Company integrating a substantial line of business while Paul led a much more ambitious strategic project. He envisioned the deployment of the Company value proposition to a larger number of cooperatives across France. Under his leadership and with the Company's experience, he decided to lead the strategic project through partnership with local players.

Paul's complex thinking capability enabled him to negotiate the partnership agreements with a multitude of partners, each with different contexts. He succeeded in finding ways for all partners to find a purpose in the project, for them and for the whole, and to enter in a joint-partnership agreement. A new company was eventually formed with a larger number of partners. The new Company will start operations by the end of 2011. Its revenues are expected to be well over €800 million within 2-3 years' time.

Conclusion

Complexity will increase substantially in the coming years. Preparing people and the organization to encompass complexity has become a strategic priority for the coming years. Purpose-driven leadership enables developing complex thinking: a holistic manner to analyze complex situations and come-up with the most appropriate response. Ensuring the purpose is shared and understood by everyone in the organization, allowing time to reflect and act, and reward good decision-making and results are key attributes of purpose-driven leadership. Developing this capability enables the organization to be more creative and to make better and faster decisions. It also enables people to feel comfortable with complexity and developing a higher sense of achievement and satisfaction.

A complex thinking organization is more agile, it captures opportunities faster, it is better prepared to respond to higher levels of complexity.

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