



## Interactions in organisations

People at work interact in three different kinds of ways. They interact with physical things or materials. They interact with information or other abstract entities. They interact with other people.

The first type of interaction is labelled transformational; it involves changing materials from one form into another. The second is labelled transactional; it involves changing information from one form into another. Both of these types of interaction are normally operated through the application of prescribed processes, the process descriptions often being very tightly drawn and in great detail.

The third type of interaction is labelled tacit. Tacit interactions are about people acting with other people, often working across organisational boundaries, and often when engaged in problem resolution or capitalising on opportunities. People who are highly involved with tacit interactions are also likely to be involved with transactional interactions, although in this case, process descriptions may be much less tightly drawn. It is rare for tacit interactions to be subject to any sort of process prescription or even description.

So what?

There are three reasons why tacit interactions are important.

In traditional industries, transformational interactions dominated. These were in the organisations that employed large numbers of people in extraction, production and distribution jobs. As a general rule, these jobs were relatively lowly paid, often on an hourly or weekly basis. Increasingly automation was introduced, and this had the effect of limiting even further the already limited discretion that such workers had in their jobs, with, it must be said, some notable exceptions.

With the increase in the size of governments, and with the growth in the service sector, the number of transactional interactions grew rapidly. Much the same sort of pattern emerged there, as had already happened in respect of transformational interactions.

The methods for increasing productivity in transformational and transactional interactions are well known, and often well applied. Having said that, initially at least, the effect of the introduction of technology on the productivity of white collar jobs was very limited.

In most organisations today less than 20% of employees are engaged in these first two types of interactions, and the percentage is dropping. The opportunity to improve profitability by applying traditional methods is, therefore, strictly limited.

All this adds up to a simple conclusion – if management today wishes to improve overall productivity, performance and profitability, then it had better focus some attention on improving tacit interactions in the organisation. There are, however, serious challenges involved in translating this simple conclusion into improved performance.

### The tacit-interactions challenges

Traditional methods for improving productivity will not work - standardising tacit interactions is not possible. They are too varied, too complex and far too ad hoc. Trying that approach is more likely to cause problems than solve them. Automation cannot work, and technology, (except in the sense of improving the means of communication), will not work either. In short, they are beyond conventional 'management'.

But a solution has to be found, as work involving tacit interactions generally produces highly variable standards of performance. The nature of tacit interactions, and what enables them to be more successful provides some clues about appropriate management action.

People generally, for example, produce better results when they:

- Have better information.
- Can engage in multiple, collaborative interactions with colleagues.
- Are better networked with colleagues inside and outside the organisation.
- Feel safe to develop and try innovative, new ideas with colleagues.
- Can learn and develop through doing rather than just taking in information.

Each of these, at first sight, is subject to management action, but that first sight is illusory. For example, it is possible to provide good information systems; it is possible to develop a technology-supported knowledge management system. But that does not mean that any one, individual tacit interaction will produce an outcome that was 'informed'. People have to make use of the information that is available and share it to inform better conclusions and decisions.

It is possible to develop and issue policies on collaboration, but does anyone believe that such a tactic will, of itself and automatically produce higher levels of collaboration? Policies on networking are likely to go the same route. Any policy to develop formal networks may have its benefits, but will do nothing for the vast majority of tacit interactions, since these occur through informal networks. Telling people that they are safe to develop and try new, innovative ideas is more likely to be met with blank stares or, worse, cynicism, since 'safety' in this context, is an emotion which is not produced by diktat. The aspects of organisational behaviour that produce a sense of safety are subtle and complex, and, as such, can not be prescribed. Finally, again with certain noble exceptions, learning by providing information is what management routinely does, and it is generally poles apart from learning by doing. The vast majority of learning by doing occurs through cross-functional problem resolution, and that is inaccessible to management action for the same sort of reasons as noted above.

All of this points to a need for management action that is about enabling better tacit interactions, as distinct from trying to 'manage them'. Before moving on to what management is about to do to improve tacit interactions, a couple of quick diversions may be useful. The first is on to the topic of bureaucratic rules.

### **Bureaucratic rules**

The history of developments to improve productivity in transformational interactions is largely about the elimination of (excessive) variation. From statistical control charts through to NC and CNC (computer numerical control) machine tools, the thrust has been the same. That is to improve productivity, consistency and quality, with less and less operator input.

When it comes to transactional interactions, a similar drive has led to the development of tightly prescribed procedures and rule-based processes encapsulated as computer software. There is a snag, however. Machine tools operate on physical materials. Subject to the quality of the actual raw material supplied, there are few variations on the material being worked. If there is, perhaps the consistency / quality drive needs to be applied farther back down the supply chain! Transactional interactions involve information and other abstract entities, the latter generally being presented to the person in the form of information anyway. Given that most of the original sources of the information will be a human being, consistency of the 'raw material' is likely to be of a much lower order. In other words, variations appear, and can easily be the norm.

At this point, what started out life as a relatively simple procedure can become more and more detailed, with more and more exceptions being described and prescriptions being offered on how they should be handled. Often, these extensions to the detail of the procedure occur after some sort of defect or error has appeared, and the idea is to ensure that 'it can never happen again'. All of this effort to improve consistency of output ends up as a bureaucratic nightmare, and is, in any case, doomed to failure. There are many reasons for this, but three will suffice here.

The first is that it is impossible to legislate for every exception, and even if it were, the second and third reasons will still apply. The second is that as the detail of prescription grows, rules start to conflict with other rules. This can lead to a position in which, from the operators perspective, 'if you stick to one rule, you are likely to fall foul of another'.

The third reason is that excessively prescriptive procedures contain a very strong, implicit message that the operator is unintelligent and incapable of acting independently. In those circumstances, many operators just apply the rules, even when their know-how points to the result being undesirable. Others will defy the rules, and invent their own solution, generally in an attempt to provide good service to a customer or in some other way to benefit the organisation. So, excessively bureaucratic rules produce chaotic systems, which is the exact opposite of what was intended – predictability, repeatability and reliability!

Excessively bureaucratic rules also produce high levels of frustration, and hence often result in high levels of staff turnover. So, bureaucratic rules, with their detailed prescriptions, must go the same way as many other management attempts to 'command and control' in the field of tacit interactions.

### **Change programmes**

The second diversion concerns the dreaded change programme. If tacit interactions are to be improved, then that implies some sort of change. The question is what and how.

Change programmes are notoriously failure-prone. So, any search for a mechanism to effect the sort of change needed for the tacit interactions to become much improved, must necessarily begin by looking for something different from a normal change programme. Realistically, moreover, whatever 'new state' is achieved as a result of any intervention is not going to be the ideal anyway. Any 'new state' achieved, therefore, must be just the first step along a road of continuing development in search of the ideal state.

It is the term 'continuing development' that is explored here. At its simplest, everything that managers do can be classified under two headings. These are known as maintenance and development. In essence, these are defined as:

#### **Maintenance activities are:**

- Repeated, cyclical
- Go on day by day, week by week, month by month
- Are never finished
- Are important for maintaining standards of performance in the business

#### **Development activities are:**

- Once off tasks or projects
- Occupy a finite space in time
- When finished, are over and done with, never to be repeated
- Are important for developing and improving standards of performance in the business

Whereas maintenance activities are concerned with the short term success of the organisation, development activities are concerned with the the longer term growth, security and longevity of the organisation. The former are in the class of 'instant gratification' actions – results are quickly and generally highly visible. Because of the repeated nature of what is done, experience can be applied and failure rates are low. With the latter, it is sometimes necessary to wait a long time for any results to show at all. Additionally, every development, by definition, involves an innovation, and as such is risky – even after a long wait, success may never appear. There are no prizes for guessing which type of activity is the more popular!

It should be noticed that many development activities are likely to be delivered in collaboration with other people, while working across organisational boundaries to achieve some specific piece of problem resolution. In other words, they will involve high levels of tacit interactions.

As with many aspects of management, the key is all about balance. All managers, (even using the most all-embracing of definitions – 'managers make things happen through other people'), need to invest in both

types of activity. The issue here is that the more senior the role, the more the balance should swing towards development. Sadly, this simple guideline is often broken.

If the reality is that the 'ideal state' is never achieved in one easy step, then that immediately invalidates the idea of a change programme – unless the design of that intervention is to begin a change process, that will have endless cycles of change, all overlapping other cycles of change, in a complex set of interactions – that word again. Given that 'ongoing change' condition is achieved by some form of management intervention, all that means is that management will have managed to kick start a condition in which most if not all managers will have a better balance of maintenance and development activities than they had previously. Specifically, the intervention will have done much to enable better tacit interactions.

### **Management action to enable better tacit interactions.**

The key is that word 'enable'. This is not going to be any sort of change programme, with a fixed time frame, measurable objectives, and managed with conventional programme / project management techniques. Enabling action does not work that way. Enabling action always begins with an intervention that creates new conditions within the organisation. Those conditions enable different patterns of behaviour to emerge – in this case, enhanced tacit interactions. There is no way of predicting exactly what will emerge from the changed patterns of behaviour. What is generally true is that from simple initial changes, complex new patterns will emerge. If the enabling action is appropriate, then the research on emergence indicates that new patterns of behaviour will produce a positive effect on the performance of the organisation.

Emergence is "the arising of novel and coherent structures, patterns and properties during the process of self-organization in complex systems." (Goldstein 1999) Goldstein's definition was further elaborated to describe the characteristics of this definition in more detail: "The common characteristics of emergence are: (1) radical novelty (features not previously observed in systems); (2) coherence or correlation (meaning integrated wholes that maintain themselves over some period of time); (3) A global or macro "level" (i.e. there is some property of "wholeness"); (4) it is the product of a dynamical process (it evolves); and (5) it can be perceived. (Corning 2002)

It is always possible that there will be unintended side effects. It is also possible that not all of these will be desirable. The risks are small, however, as suggested by a management tradition that dates from rather earlier than the studies on emergence – 'First find people you can trust, and then trust them' (Confucius; around 500 BCE). A later, related version of this was given by Keith Grint in *Fuzzy Management*. "The problems and their causes that impair organisational performance, together with their solutions, are generally well known to the workers."

Problem resolution generally needs cross-functional solutions, - in an age of complex lateral processes delivering value to customers, it is highly unlikely that good solutions will be developed just from within organisational silos. Since good solutions are generally developed through tacit interactions, it is suggested that enabling better tacit interactions is a key tactic for management – if the aim is higher performance. The only question that remains is about the sort of enabling action that will be appropriate. Here is a short list for starters:

- Find out, by asking, what it is that inhibits cross-functional collaboration, and fix the big barriers ASAP.
- Break down the power embedded in organisational hierarchies and silos. Ensure that decision power is widely distributed. Model cross-functional problem resolution in senior management.
- Bounce all inter-functional disputes 'brought upstairs' back to the people who are involved and insist on negotiated settlements between them.
- Develop management skills that focus more on influencing, negotiation and collaboration, instead of traditional planning, command and control models.
- Develop and demonstrate resource-sharing and information-sharing across organisational boundaries.
- Minimise budget constraints that limit managers' ability to share resources across functional boundaries or transfer resources between budget heads.

- Wherever possible, scrap detailed, bureaucratic prescriptions and replace them by simple guidelines, that enable adaptation to different circumstances and the creation of new tactics.
- Signal by word and act that it is safe to learn by doing, and that trying new ideas is OK, even if not all of them are successful. Celebrate 'good tries' as well as winning ideas.
- Wherever possible, stop asking about short term numbers (maintenance), and switch to asking about opportunity identification and problem resolution (development). Specifically ask about what is being done to improve lateral processes.
- Where solutions and other actions are being considered, ask about lateral, external and longer-term objectives and implications. Ask about future possible conditions or events that are being anticipated. Ask about the risks associated with favourable options, and how those risks are to be managed.
- Ask about the fit between what is being considered and achievement of the business strategy. When appropriate, adapt the strategy to meet the needs of changing circumstances.
- When options for action are being considered, ask about what new ideas might be tried and evaluated. Ask about the methods that will be used to provide feedback to enable learning.
- Ask for feedback on management policies and actions – and act on it where appropriate – which will probably be every time.
- Ask about the internal and external priority issues and opportunities facing the organisation. Share that information widely.
- Ask about the mechanisms that people use to sense and interpret signals from the world external to the organisation, and to share that information. Encourage people to do more, and to react faster. Include people from all roles.
- Where complex issues arise, set up cross-functional groups to tackle them. Appoint group leaders on the basis of knowledge and skill, not status. Ensure that shared goals and accountability are what drives the work of the group.
- Demonstrate and insist upon 'both / and' solutions that source their ideas from different parts of the organisation. Eliminate 'either / or' thinking that creates winners and losers.
- Ensure that everyone has a clear understanding of their job role and contribution. Develop this in collaboration with the job holder and ensure that it covers the 'should be' as well as 'the is'.

If all that sounds like a summary of some actions associated with good basic management, that's fine. Because that is what they are. But that does not limit their value. While the target for the actions suggested may be specific to improving tacit interactions, in 21<sup>st</sup> century organisations that is critical anyway.

Given the shrinking proportion of interactions that are transformational and transactional, it is the only way to go, if higher performance is the aim. And if that is not what management is about, now and in the longer term, what is it? Plus, all the actions suggested will have a positive effect on employee engagement and motivation, and that is in line with a very old management tradition – Confucius would approve!