



Resilient Organisations

... Building great organisations in a sea of change

“Complex adaptive systems consist of a number of components, or agents, that interact with each other, according to a set of rules, that require them to examine and respond to each other's behaviour in order to improve their behaviour and thus the behaviour of the system they comprise.” (Ralph Stacey 1996)

“Emergence is the production of global patterns of behaviour by agents in a complex system, interacting according to their own local rules of behaviour, without intending the global patterns of behaviour that come about. In emergence, global patterns cannot be predicted from the local rules of behaviour that produce them.” (Ralph Stacey 1996)

1 Complexity and Emergence

Each individual human being is a complex adaptive system. Bring a group of human beings together in an organisation, and the level of complexity increases hugely.

In most business organisations attempts are made to prescribe relationships between people and their behaviour by defining structures and processes. (These are forms of control behaviour by managers). This layer of complexity is generally introduced to try to stop what would otherwise be seen as chaotic behaviour. In reality, a hidden or shadow organisation always operates, as people circumvent the formal organisation in order to get their jobs done, and create new relationships by joining informal networks. Informal networks also increase the degree of complexity in the organisation.

It would be possible to regard organisations as merely complicated, as distinct from complex, but this would be to misunderstand the nature of what happens in real organisations, as people try to handle the consequences of managers' attempts to direct and control what happens in the organisation.

Control mechanisms

There are three type of change, (closed, contained and open), that happen in organisations, each of which exists in the past, the present or the future. When we think about management attempts to exert control, the relationship with the timing of the change can be expressed as:

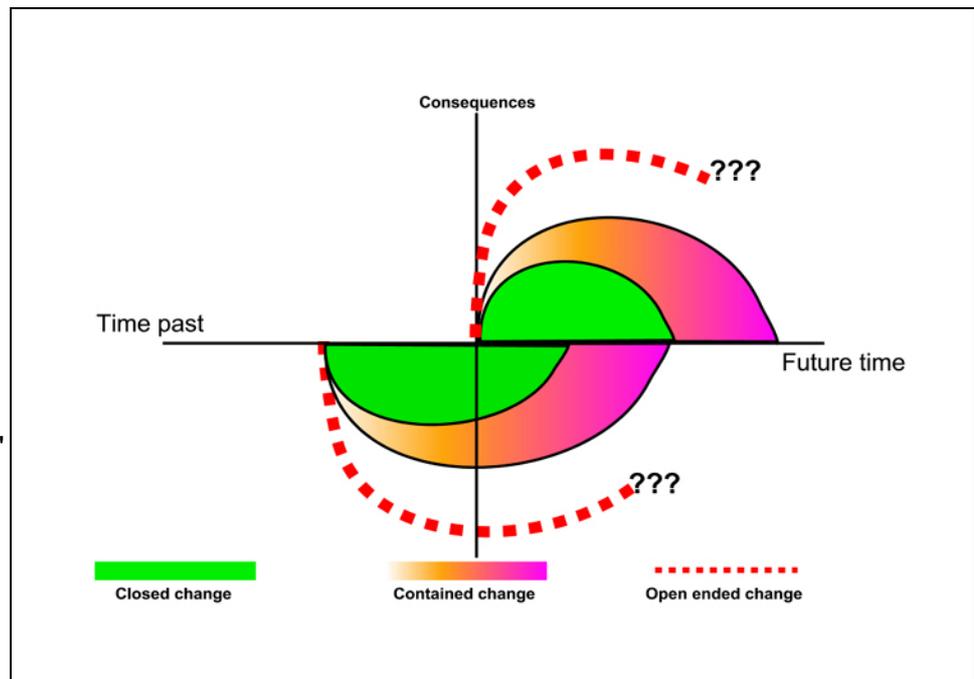
- Trying to control the effects of changes that have already happened
- Trying to control the effects of changes that are happening NOW
- Trying to control the effects of expected future changes

In all three, the change can be closed, contained or open.¹

¹ The type of change is indicated by the volatility of the variable set – the factors constituting the business's ability to deliver output performance or compete in its market or community – and the volatility of the parameters – the causal relationships between the variables and what the organisation is trying to achieve, namely successful outcomes – the desired state.

- Closed change operates over short time scales. Business parameters and the variables affecting it are known. Cause and effect are known, and experience is a reliable guide to action. Closed change time scales are getting shorter.
- Contained change operates over longer time scales. Business parameters and the variables affecting it are probabilistic. Cause and effect are only subject to assessment of probability and prediction. Experience is no longer a totally reliable guide to action, but can be used to help assess probability of causes and predict most likely outcomes. Contained change time scales are getting shorter.
- Open change operates over even longer time scales. Business parameters and the variables affecting it are volatile, and probability and prediction break down. Experience no longer has any value in predicting possible outcomes. Possible scenarios become too many and too varied to be handled. It may even be impossible to distinguish between variables that are important and those that are not.

Each type of change demands a different kind of control mechanism. Closed change is traditionally subject to control by variance – we know what should be happening, and why, and hence how to remedy the effects of the change. Contained change is subject to control by 'grand design' – we know the direction we are intending to go, often of the roughly west' variety, and implement actions that we predict will probably take us in the desired



Open change only has one form of control that is appropriate, and that is by trial and error. Systemic learning becomes the order of the day.

Managers have a tricky balancing act to perform – every day of the working year. They need to use all three control mechanisms, in each of the three time frames, often during the same working period. The tensions that can be experienced by managers trying to walk this tightrope can be extreme. Often the manager in question will 'fall off' the tightrope, and commonly regress to control by variance, whether or not this type of control is appropriate.

The more that high pressure to deliver short term results is coming down the line from above or from stakeholders, the more this regression to traditional control mechanisms is likely to occur.

Where excessive control by variance is exerted, employees faced with the changing realities communicated through contacts with customers, suppliers and other employees will react the way all sensible employees do – they will ignore the formal rule book, and try to get the best result for the business that they can. This is the genesis of informal networks.

In passing, it should be noted that informal networks are not static or fixed. The networks themselves are transitory and volatile. They appear and disappear; they form and reform; their

membership is a moving target. They represent a form of unstable equilibrium, operating at the edge of chaos, brought about by their own internal control mechanisms. These control mechanisms include natural survival and experiential learning, the latter arising from all informal networks being goal-seeking entities.

It should also be noted, in passing, that informal networks are a perfect breeding ground for innovation, as cross functional groupings bring different and sometime conflicting perspectives to bear in organisational problem solving processes. Given the goal-seeking nature of these networks, it is not surprising that problems and conflicts are often resolved by negotiated actions that are new, in order to satisfy all parties.

Given the probably high degree of innovation arising from and the volatile nature of informal networks, while each network may be pursuing an informal version of control by grand design, there is no way of predicting the global outcomes that will occur through their activities. In other words, the organisation will be exhibiting emergence as defined by Stacey; hence the organisation is not just complicated, but actually highly complex.

Some key characteristics of complex organisational systems

- Both formal and informal relationships tend to operate within groups, with multiple connections between group members, although short chains of several one-to-one relationships are also common. The relationships mainly used to operate at close range, but, through technology many are now national, international or even global.
- Communications across network relationships are not perfect. Interpretation and data contamination occur frequently.
- Many informal networks operate across formal organisation boundaries, and spread outside the organisation as well. Technology is facilitating networks between customers and suppliers, and these role relationships are often becoming blurred as well.
- Boundaries are just as volatile and transitory as the networks themselves.
- Many agents (people or small groups) act as conduits between two or more networks. These pivotal nodes may have extraordinary influence over the functioning of the total system. They are known as 'gateway' nodes.
- The behaviour of people in complex organisations is itself complex. It is subject to a number of drivers, apart from the internal values and drives of the individual. These drivers include formal process rules; formal information systems; management directives and other communications; informal network goals and values; and organisational permissions². Of these, the permissions and informal network drivers may be the most influential.
- No one part of the system can control the whole. By the same token, no one part is totally the slave of the system – intentionality still has its part to play.
- Small perturbations, in the past or the present, can produce large (non-linear) effects disproportionate to their size.
- Feedback systems are very influential in modifying the behaviour of people in the system. The feedback may be damping or amplifying. Mostly these feedback influences are themselves non-linear.

² Permissions are implicit messages contained in all structural design decisions, all process design decisions and in the behaviour of individual managers, especially the senior variety. Permissions indicate what is and what is not acceptable employee behaviour. See Appendix 1 and Appendix 2 for the permissions used by Magus Indexer and Magus Scanner.

- It is impossible to control a complex system, in the traditional sense with which many managers use the term 'control'.
- It is possible, however, to influence complex systems. This is about creating conditions under which informal networks can flourish and have clear direction.
- The intervention effect is also possible. Asking the right questions can stimulate directional change.

2 Some implications for Management

Recognising that the organisation has a high degree of complexity has a number of implications for management, not all of which are necessarily easy to accept. Some of the key ones are summarised below:

Managing change

The models on how to manage change in organisations are legion. Many of them target some form of changed behaviour by employees. Most of them include the requirement for a large investment in communicating the need for change and the behaviour changes needed. Some refer to the need for 'obsessive communications'.

If the role of 'communications' is common and if 70% of change initiatives fail, could there be a connection between these two facts? (Some observers report a higher percentage than 70%). In fact, reliance on communications, including obsessive communications, is to misunderstand the real nature of the communications that operate in complex organisations.

However obsessive, management efforts at communicating are a mere drop in the ocean compared with the other communications that flow in complex organisations, every second of every working day. The occasional CEO video, posters on the wall, briefing sessions and team meetings are all brief interruptions (exhortations) in the flow of messages around complex organisations, that arrive through permissions and the informal network interactions that largely occupy the working day.

This leads to the conclusion that change cannot be managed at all. The most that management can do is to define desired direction, of the 'roughly west' variety, and then work hard to create the conditions in which change can emerge. Which is another way of saying that the idea of directing and controlling change belongs in the land of wishful thinking.

Developing and managing strategy

There are two aspects of traditional strategy development that belong to history more than current thinking and practice, in complex organisations – which, to all practical intents and purposes is all of them.

One is the use of massive amounts of research, analysis and prediction of market and other trends. Given the many step functions and dislocations that occur in the real world, history is a poor guide to what might happen in the future, if the future in question is much more than a few days ahead of 'now'.

The other is the use of long range plans. Three year plans, five years plans and even seven year plans are all subject to the old rule that "... no plan survives first contact with the enemy", with the 'enemy' in this case being the future.

This is not to suggest that research, analysis and planning have no value – they do. They are often good for surfacing strategically important issues – and they give some comfort to boards that

all is not being left entirely to fate. They also keep researchers and planners busy – and their reports occupy many inches of shelf space.

There is another oddity, in relation to strategy development, that has always been in the class of activities collectively labelled 'management silliness', and that is the annual strategy review. There are two problems with that particular activity.

The first is the idea that events roll out nicely fitting into a yearly pattern – that is perfectly timed to synchronise with the annual budget round of all companies, whatever their financial years and budgeting process! The second is that the permission that is explicitly clear is that only short term financial numbers – those contained in the annual budget – count in the organisation. Which is another way of saying that all employees can safely stop thinking strategically and worry about getting the numbers right for their own particular silo – and the Devil can take the rest.

Emergent strategy is just one form of emergence, that is common in complex organisations. Decoupling the strategy review process from the annual rain dance known as the budget, and creating conditions in which all employees can engage in dynamic, emergent strategy formulation is but the first step on the way to developing a truly emergent organisation. Scrapping long range plans, and replacing them with planning as learning will cement the transformation. But the very first and most essential step is for management to give up ideas of control by variance as the route to making the organisation perform the way they wish it to.

Organisations that are 'fit for purpose'

There are perhaps too many CEOs who consider that their time is wasted, when they have to intervene in organisational matters. These are seen as distracting them from their real role, which focuses on strategy, corporate image and managing stakeholder relationships, especially with financial institutions.

A different way of looking at the role of the CEO flows from the idea that the organisation has to be 'fit for purpose', which is delivering the strategy. Developing such an organisation is a highly important role for the CEO, and one that cannot be delegated. In more conventional, 'direct and control' orientated thinking, a CEO in this role is likely to focus energy on getting the top team right, and on structures and processes, as well as communicating strategy, vision and values. But as we have seen, real people in real, complex organisations tend to fall into one of two camps.

The first camp is those who understand only too well, through daily realities, that the grand vision of the corporate strategy does not connect wonderfully well with the real world in which the business operates, and resign themselves to the fact. These are the people who are disengaged from the organisation and its business, are poorly motivated and tend to suffer from stress related conditions.

The second camp is those who also understand the gap between strategic wish and ground floor reality, and through their informal network contacts take action to underpin the continuing success of the business – and the security afforded by the probability that the monthly pay cheque will continue to arrive.

Either way, it has to be concluded that traditional approaches to controlling behaviour simply do not work. The old 'law' appears to be true in complex organisations as ever it was in traditional organisations. Try to change behaviour by prescription and you will either get the change you want, a change you do not want, or no change at all – with the last two being the more probable!

A useful shift in the thinking for the CEO is to focus energy on developing an organisation that is fit for purpose, but this time the purpose is formulating and delivering the strategy. That leads us nicely on to the concept of the resilient organisation.

3 The Resilient Organisation

A resilient organisation is one that constantly adapts to a changing environment, throughout. Operational people are not excluded from this – in fact they are critically included. One way of expressing this is to think about operational people as the 'sensors at the periphery of the organisation'.

It is operational people who are first aware of shifts in customer expectations. They are the first to come face to face with the consequences of new competitors entering the market, or changed behaviour by existing competitors. They immediately experience changes in supply patterns. They hear the questions asked and statements made by customers, in real time. The question to be considered is about how they should, or do, react.

When faced with the seventh customer asking “Do you make them in green?”, the response may be “No dear, only in red or blue” and a shrug of the shoulders as the non-buying customer departs. It might of course produce a huddle with colleagues to see why green is not made, and if that could be accomplished without significant investment. The example quoted is a parable, and possibly unrealistic, but the message should be clear.

The alternative is market research, customer surveys, focus groups and all the rest of the paraphernalia of 'modern marketing'. Which might just be a good route to launching the the latest and greatest 'Green' product, just after real live, buying customers have switched to yellow. In the meantime, those self same operational people watch on with bemusement as the corporate juggernaut staggers on, slipping ever farther behind what is actually happening in the market.

So the question now is not what can management do to create emergence, for it already exists. If the organisation is complex, and generally they all are, then emergence is a fact of life. The question is more about creating the conditions where emergence can both flourish and have a strategic focus.

The question of control

Before we consider how such conditions may be created, first we need quickly to re-visit the question of control, and the very real fears that so many senior managers have when they hear the proposition that they have to let go of some control.

One way of looking at this challenge is to face the fact that they don't have control anyway, only the illusion of control. People, (complex adaptive systems), in complex organisations simply do not behave in the way that management diktats demand. They may present an image of responding according to policy and procedure, (the 'malicious obedience' model), but the reality is more about informal networks subverting those self same policies and procedures.

In particular, attempts to exert control by variance, focusing on short term financial numbers, generally produce predictable responses. The first is massaging of the numbers - the numbers being reported may not be totally representative of actual performance. Another tactic involves the consequences of producing the required results being hidden elsewhere in the PI set. The one thing that is for sure is that the monthly merry-go-round of reporting against budgeted numbers will do little to help the organisation develop and deliver a sensible strategy.

This waste of time and energy, working hard to stand still, is severely frustrating for the people involved. The source of the frustration is the end of the week feeling that “... it has been a heck of week, of unrelenting pressure and fire fighting, and where we have got to is exactly the same place we were at the beginning of the week. And guess what next week is going to be like ...”. The bottom line is that the most valuable resource in the business is being consumed to threaten the future of the business, and the latent ideas, talent and innovation actually available are all being wasted.

The other way of looking at this challenge is to focus on the fact that the vast majority of employees are not working passionately to destroy the very organisation that produces their monthly pay cheque. In fact, the opposite is true. The vast majority want to work for a successful business; they want to work in effective teams that practice mutual support and pursue clear, shared goals; they want the security that goes with business success; they want the satisfaction that comes from achieving tough standards and goals; they actively desire increased responsibility and the chance to take actions that will add value to the business.

In practice, providing only that certain conditions are met within the organisation, in and around their jobs, they will exhibit another characteristic of emergence in complex organisations. This is the ability of complex, adaptive systems to be self-organising. Ordered patterns of behaviour emerge from the relationships and interactions that go on, without any external control or design. Order and control come from within and through:

- Natural survival – where is next month's pay cheque coming from
- Reality anchoring – being face to face with operational realities
- Experiential learning – facing up to and sharing the results achieved from 'strategic moves'
- Corporate control of resources – large scale investments in successes must still have approval

Conditions for emergence to emerge

Emergence cannot be introduced by management, as it already exists. Neither can it be controlled, predicted or managed. There is no change management programme that can be 'project managed' that will result in emergence. The question is more about whether emergence can be facilitated and if there any way of influencing the direction of that emergence, if not exactly.

Most of the research on this topic goes so far, but not always quite far enough. Partly through computer modelling and partly through research in live organisations there are a number of conditions that are now known, if emergence is to flourish. Briefly these are:

- Connectivity – how many network connections exist between how many different people on how many different topics? These may be formal or informal network connections.
- Diversity – how large is the range of types of people, relationships and topics on which people are transacting? Within formal structures, formal networks and informal networks.
- Information flow – how substantial is the information that flows through formal structures or channels, and around the networks of relationships – both formally and informally?
- Level of contained anxiety – how much anxiety is there about the organisation and jobs within it that has no channel for release?
- Power differentials – to what degree is power diffused throughout the organisation, as distinct from being held tightly by a small number of people, either at the top, or elsewhere as power brokers?

If connectivity, diversity, information flows and the diffusion of power are all substantial, and the level of contained anxiety is low, then emergent innovation is highly likely to exist. The type of organisation that will evolve we have labelled the resilient organisation. If the opposite is true, then apparent stability coupled with covert subversion, malicious obedience, disengagement and flight are more likely to be the order of the day.

The problem for managers is how to facilitate the desirable kind of emergence – how to develop a resilient organisation. This is where some of the research is silent – there is plenty on the what,

but too little on how to do it. For example, management can introduce a policy of more information flow, through formal structures and processes. But what about the informal networks? Mostly, management does not even know what exists, today, and the fact is that they will be different tomorrow.

Management can make a policy decision to introduce diversity through hiring and deployment decisions. But what about the diversity in the relationships and topics that form and flow through informal networks? HR functions can introduce counselling for people suffering from anxiety, but that is explicitly a management intervention, and, in any case, what about all the people with lower levels of contained anxiety about whom little is known?

Management could even try telling employees to be more connected, and there has been some success with setting up some types of formal networks. But these are still subject to management control and hence cannot really be said to facilitate emergence. Of course, there is always the good old fall back on change programme models, and management could always try the exhortation route of obsessive communications. Perhaps no more comment needed!

Permissions not communications

Fortunately, there is an escape route. This is to forget management communications, and return to the topic, touched on earlier, of permissions. To repeat, permissions are implicit messages contained in all structural design decisions, all process design decisions and in the behaviour of individual managers, especially the senior variety.

An example might suffice to illustrate the point:

A very large fleet rental company had made the decision to take over responsibility for the residual value of the rental vehicles, at the end of the 3 year lease period – plus the profit opportunity. When someone realised that the condition of the returned vehicle might be such that the underwritten value would not be achieved, it was decided to modify the change over process. Old cars being brought back had to be handed in by 10:00 and the new car would not be available for collection until after 14:00 the following (working) day. In the meantime, the vehicle condition could be checked and a customer invoice for repairs issued if necessary. The fleet was such that there were hundreds of vehicle change overs, every day of the working week, including Fridays.

At about the same time the CEO decided that increased customer focus was an essential for the business to stay competitive, so he made a video, exhorting all employees on why they needed to be more customer focused. He insisted that all employees should watch the video. In the employees' perception, this just acted as a break within their working day of telling another customer that '... they could not have their new car until tomorrow ...'. The real message was explicitly clear – the company's bottom line was much more important than its customers.

A 1990 research report examined the characteristics of organisations in respect of their ability to change. The spectrum was from 'change as a way of life' at one end to 'change as a test of manhood' at the other. One striking result was the consistency of organisational and management practices and processes at each end of the spectrum. What emerged from the research was a model for organisations to implement, if they wish change to be natural and easy, and where there is a desire to avoid the need for the sort of top-down-driven, wrenching, cataclysmic changes that have been so well written up.

What has developed from that research is a simple set of 15 permissions that can exist in either positive (enabling) or negative (disabling) forms. Explicitly, changing the permissions from their negative form to their positive will result in an increase in connectivity, diversity, information flow and the diffusion of power. Equally, levels of contained anxiety will diminish.

(See the appendices for a complete listing of two sets of organisational permissions. The first set

has both the negative and positive forms, together with the organisational issues with which they are associated. The second set is listed only in the negative or problem form.)

Implicitly, organisational resilience will increase, as will the health of the entire organisation and its fitness for purpose, the purpose being the formulation and delivery of strategy. There is, inevitably, a snag – or is it a snag? Management can't do this by top down directive, because, among other reasons, they simply do not know how the organisation actually gets its products out of the door – and should not. (If they do, they are doing someone else's job, which raises the question of who is doing theirs?).

The role of the CEO and top management here is to facilitate a process of organisational development that is about searching for negative permissions, identifying their causes, and then developing and installing new processes and practices – and changing management behaviours. Which is another way of saying that the developmental process itself needs to be emergent, subsequently transforming itself into emergence that targets strategy.

Will this particular change process need a champion? Yes – the CEO. Will it meet resistance? Yes – but from senior people, not operational employees and supervisors. Will it need a model for new behaviour? Yes – it is all contained in the permissions. Will it need obsessive communications? No, because that is the point in changing the messages communicated by the permissions.

Is this an important role for the CEO? Yes – it is the only way that adequate time will always be available for the other parts of the CEO's job. Will it deliver a strategic organisation? Is there another way that we don't know about?

Appendix 1 - Magus Indexer V1 Permissions

This appendix sets out the permissions incorporated in the diagnostic tool supplied with Magus Indexer. 'Permissions' are implicit messages contained in all structural design decisions, all process design decisions and in the behaviour of individual managers, especially the senior variety. Permissions indicate what is and what is not acceptable employee behaviour. Each permission can exist in a positive (desirable) or negative (undesirable) form.

In this document, the negative and positive permissions are noted against the issues that are assessed with Magus Indexer. The issue is associated with the permissions. The Magus Indexer diagnostic tool is designed to help track the sources of negative permissions and get them changed to their positive form.

1 Unknown risk embracing - often 'taking a chance' because of attractive possibilities and un-assessed risks

The negative permission: It's OK to risk company assets in speculative investments, without taking the time out to assess the risk. If the possible pay off is high enough, let's have a go, without worrying about the downside risk or what the negative collateral implications of failure might be.

The positive permission: It's OK to take a chance - with good contingency actions in hand, in case they are needed - provided that good analysis is done and the benefit is high and the risk is low or manageable. It's also OK to take time out to investigate risky opportunities.

2 Risk averse - analysis paralysis - never making the move until certainty beckons - often when it too late

The negative permission: It's OK to check every possibility before making any decision to change anything. Asking for reports and additional research is valued activity as is calling or attending meetings to analyse options and implications. Referring decisions upwards is a safe thing to do. Innovating is not.

The positive permission: It's OK to innovate - to make and implement decisions involving risk, without senior management authority, providing that analysis has revealed a positive balance of benefit and risk, with the risk either being low or manageable.

3 Top management – denies mistakes instead of learning

The negative permission: It's OK to blame someone from outside your own department or function for the consequences of your own decisions and actions. If you can't find someone else to blame, then it's OK to cover up the negative consequences - and project a false image of being totally in control.

The positive permission: It's OK to talk openly about your ideas and actions that do not work out as intended, sharing information and insights with others - that will lead to learning and more effective actions in the future, for all.

4 Leadership is assumed to be the responsibility of, and something that happens in, top management

The negative permission: It's OK to wait to be told which direction to go and what to do; In the absence of instructions, it's OK to do nothing, and if new information comes your way indicating a problem or opportunity, it's OK just to report it to someone senior.

The positive permission: It's OK to create opportunities to add value to the business, involving other people as appropriate, without waiting for specific instructions. When information arrives, indicating a problem or an opportunity, it's OK to take action, even if that means stepping a bit outside your authority.

5 Top management - the operational arms and legs of the organisation

The negative permission: It's OK to focus on fire fighting - don't worry about the strategic implications of what we do, or not, today. The long-term future doesn't matter - only short-term numbers and today's problems count. The future can take care of itself.

The positive permission: It's OK to take time out to think about the strategic implications of what we do, or not, today, along with short-term results. It's important that strategic issues are factored into operational decisions - the future is to be mapped out and not left to chance

6 Power is held tightly by a small group of people and often exercised covertly through power brokers

The negative permission: It's OK to focus on growing your own empire, and networking to increase your own influence - power comes to those who work hard to acquire it, not to those who deliver results for the business. Hostile departmental take-overs disguised as reorganisation or restructuring are OK things to do.

The positive permission: It's OK to be unconcerned about issues like status and position power. Recognition and rewards go to those securing the future of the business as a whole, instead of those who build personal empires. It's also OK to collaborate across departmental boundaries, instead of competing.

7 Few seem to know where the business is heading - it's a bit like wandering around, lost in the fog

The negative permission: It's OK to conform to rules and procedures - and maintain a low profile. Given that 'If you don't know where you are going, you can't possibly be lost', it's OK to ignore issues in the present - or that might occur in the future - or any possible connections between them.

The positive permission: It's OK to challenge the status quo, if the future might be threatened by not changing 'the way things are'. It's OK to devote some time to preparing the organisation for future challenges, even if, sometimes, short term results might suffer.

8 The ostrich is emulated - head in sand waiting for the outside world to deliver a swift kick up the posterior

The negative permission: It's OK to ignore signals from the external world, or from within the organisation, that conditions are changing, and that if the organisation continues on its present course, problems lie ahead. It is not your concern - the future is what the bosses are paid to worry about.

The positive permission: It's OK to flag up any information that might suggest that external or internal conditions are changing, and that a change of products, services, methods or practices is needed. It's also OK to take direct action, if the ideas are there and the means are reasonably available.

9 The mud hut syndrome is alive and well - everyone in their own little mud hut, doing their own thing - in isolation

The negative permission: It's OK to focus on getting results within your own department, even if that means limiting results elsewhere. It's also OK to reserve departmental resources exclusively for use within the department, to get your own performance numbers - and not worry about the business as a whole.

The positive permission: It's OK to work and share resources across formal structures and boundaries - even if that means the occasional hit on your own departmental performance. What counts is the success of the whole business, not just short term, departmental performance numbers.

10 Managers tend to have an inward looking, backward facing, short-term focus on performance issues

The negative permission: It's OK to focus on getting the end of month numbers right. Problem solving to 'make the monthly numbers' is more important than opportunity creation. It's OK to ignore questions about why there are so many problems so solve. The main thing is just to solve them. The budget rules OK.

The positive permission: It's OK to invest in improving the way the organisation functions, even if that means that 'this month's numbers' are not met. Continuous improvement is more important than perfect adherence to the budget, every month - it's only a forecast anyway.

11 People are treated as wage slaves, who only get into motion if they are bribed (carrot) or threatened (stick)

The negative permission: It's OK to clock watch, take time out for social interactions, goof off from time to time - in fact, do no more than required to get whatever financial rewards are on offer. What counts is negotiating through strength to get income up - not contributing more than necessary to business success.

The positive permission: It's OK to work out ideas for how the business can work better - and implement them, without instruction, and without expectation of financial reward. What counts is working well in effective teams, towards a successful business - and the recognition that good results bring.

12 Appraisal is formal and mandatory, and tends to produce an emphasis on career development and training needs

The negative permission: It's OK to conform to formal policies and procedures, as long as personal benefit can be gained from them. What counts is being able to 'work the system' to develop your own career - producing good results is not a necessary precondition for advancement, and so is not important.

The positive permission: It's OK to engage fully with the organisation and its management, on an ongoing basis, in searching for ways to improve performance. The process is open and relies on two-way communications and benefits for the organisation to drive it - not on personal gain.

13 Selection processes driven by who you know / the halo effect - defensive measures protect against mistakes

The negative permission: It's OK to recruit people who won't 'rock the boat', but instead conform to existing organisation norms of behaviour - but use lots of 'industry standard assessments' in case things go wrong. It's also OK to present yourself to people above as one of the same - a 'safe pair of hands'.

The positive permission: It's OK carefully to define what will be needed for success in a job and exhaustively assess candidates to find out if they have the needed knowledge and skills. The odd failure will signal a need to improve your own methods and skills, not to adopt a defensive position.

14 Strategy is published as formal documents and presentations, and gets little attention from employees

The negative permission: It's OK to decide on projects and programmes without consultation, and to communicate them via 'glossy publications'. It's also OK not to ask for feedback, before and during implementation, and not deviate from the published plan, even when incoming signals suggest the need.

The positive permission: It's OK to ask for and take on board formal and informal inputs into the design of projects and programmes, from anyone and anywhere, before finalising design or starting implementation. It's also OK constantly to adapt plans and programmes as incoming information suggests is needed.

15 Resources follow power and influence, and spenders (overheads) get preference over earners (producers)

The negative permission: It's OK to grow overheads and get administrative processes well resourced, without worrying too much about the resources needed to deliver products and services to customers. The most important thing to top management is having a well organised, smooth running corporation.

The positive permission: It's OK to concentrate all possible resources on delivering products and services to customers, even if that means the running of the organisation is less tidy than it might otherwise be. The most important thing to top management is having lots of very satisfied, loyal, and profitable customers.

Appendix 2 - Magus Scanner V1 Permissions

This appendix sets out the permissions incorporated in the diagnostic tool supplied with Magus Scanner. 'Permissions' are implicit messages contained in all structural design decisions, all process design decisions and in the behaviour of individual managers, especially the senior variety. Permissions indicate what is and what is not acceptable employee behaviour. Each permission shown below is in its negative (problem) form.

- 1 It's OK to spend time/energy/resources fighting other people/functions without adding value - as long as damaging them does not negatively impact on your own function.
- 2 People's real world knowledge / ideas don't count – their job is to implement processes designed by 'experts' who know - it's OK to ignore problems that keep recurring
- 3 It's OK to deal with symptoms and not worry about causes, as long as immediate problems are kept under control, the future can take care of itself
- 4 Image and presentation count more than real results - massaging the numbers is OK - if hiding the truth today means problems tomorrow, that's OK too
- 5 It's OK to spend money without worrying about the real pay back - technology toys, status symbols and flights of fancy are all OK
- 6 It's OK to kick all decisions upstairs and avoid responsibility for results, people and the organisation at large - it's someone else's problem
- 7 It's OK just to conform to rules/policies - 'doing nothing is safe' - taking action to change the ways things are done is risky - don't innovate because it's dangerous
- 8 The long term future does not matter, only today's problems count - it's OK to focus on fire fighting and not worry about the strategic implications of what we do, or not, today
- 9 Position power and influence are top priority - careers depend on networks, so it's OK to focus on growing your own empire - size counts
- 10 It's OK to deliver only results that are measured as hard numbers (physical outputs/financial numbers). Other, softer aspects of performance can safely be ignored
- 11 It's OK to ignore standards - what you do/achieve/how you do it - including times/dates, application, commitment and dedication to the job - letting down colleagues is OK
- 12 It's OK to focus on personal material gain from the job - career, income and perks count for more than other peoples' job interest and security
- 13 Top priority is short-term profit - it's OK not to worry about customers and other stakeholders, and their interests
- 14 The budget rules - what counts is hitting budget targets/short term departmental results - it's OK to ignore changes in internal/external environments and what that might mean
- 15 The bosses know what is best - peoples' job is to do as they are told - it's OK to keep a low profile and not challenge the ways things are/authority