Systems Leadership
Creating Positive Organisations

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GOWER
Relating theory to practice

Each of the authors has heard managers argue that theory is worthless; experience is what counts. Some managers seem to pride themselves on their disdain of theory. These same managers then go on to quote their own views of management, for example, ‘it is just common sense’. But what is ‘common sense’ other than an implicit theory?

All capable managers use such implicit theories every day, often with success. When this is done exceptionally well, we refer to the person as a ‘charismatic leader’. This always carries a hint of mystery and magic.

On the other hand, some scholars articulate theories, but never put them to the test of practice. These are the ‘academic theories’ often scorned by many managers. Even where such articulated theories are put to the test, the methods too often reflect a distorted view of science that eliminates human intentions and values, or are so ‘experimental’ they are unrealistic. See the many journal articles on social organisation that have no impact on real managers. ‘It may sound good in theory, but it won’t work in practice.’ ‘We tried that (name your least favourite theory). It was just a waste of time.’

To get things right requires an understanding of the elements and relationships illustrated in Figure I.1.

Figure I.1 Human Decision-Making Model
We argue that all human beings have beliefs, values, dreams and aspirations. Any valid theory of human behaviour must take these into account. All managers operate on the left side of the diagram, using cells A and B, some of the time. Their actions are guided by their intuition (‘gut feel’). When the result they intended does not occur, the shock forces them back into their beliefs to consider what happened and how they might change their actions to reach their intended goal. Unfortunately, if their theories are implicit and unformulated, they are largely untestable. Therefore it is more difficult to replicate success and to avoid future failures.

Sometimes, it is impossible to articulate to others what we have actually learned. This can become quite serious as one of the authors observed in a meeting with Hewlett-Packard executives in the early 1980s. Both Bill Hewlett and David Packard were long retired, but in this meeting to deal with several difficult issues, the question came up more than once, ‘What would Bill and Dave have done?’. Executives recognised these two founders had insights that others were struggling to grasp, but they had not been able (or perhaps even aware of the need) to pass their insights on to their successors.

Academics often get locked into A and C, caught in a loop that never makes contact with the real world. If people are locked into the relationship between B and C, the formulations and the tests are devoid of human meaning and intention. Some of this research may be useful, but it is difficult to apply when the human dimension is omitted, often on the claim of being ‘value free’. This leads to tragedy, as when scientists become so disconnected from their human values they are capable of inhuman experiments like those conducted at Auschwitz.

What is required, of course, is that all three elements be used together. This may be better done by a number of people working together. It is not that managers cannot articulate their hypotheses; it is that they are often too busy and time-pressured to take the time to define terms clearly and formulate clear hypotheses. In our experience, such formulations do not come easily or quickly. They require much hard work, and once articulated, they often have to be modified as they are tested in practice.

That is why the authors have found their joint working relationship so productive. We were continuously in touch with all three elements of the model. As you reflect on your work, keep in mind that all the elements, A, B and C, are essential.

Language – social and scientific

One difficulty that all writers and practitioners involved in organisational theory and behaviour confront is that unlike physics, chemistry, biology or engineering, there are no terms or concepts with universally accepted definitions. In the sciences, key concepts such as mass, volume, acceleration, DNA, cell, tensile strength and stress are agreed upon, even where there are competing theories. Thus, it is possible to share meaning quite precisely. This is a difficulty that Elliott Jaques was highly aware of and described as a major problem in the field.

To study social processes such as management, two types of meaning need to be introduced. The first is ‘scientific’ meaning, where an entity or term has an agreed meaning by which we can determine whether an entity is ‘one of those’ or not. The second type we term ‘social’ meaning. In our everyday lives we approximate and assume an overlap in understanding without worrying too much if we mean precisely the same thing.

1 We will refer to and discuss Dr Jaques’ work with regard to ‘organisational behaviour’ at various points in this book.
Throughout our life we gradually learn increasingly sophisticated and more abstract discriminating (in the literal sense) categories. Thus, for a small child, all animals might be ‘dog’, but gradually the set of ‘animal’ becomes superordinate to dog, cat, cow, kangaroo and so on (see Box I.1).

One of the problems in the field of organisational theory is that language to describe the concepts is often in the domain of social meaning. That is, we have a general understanding of terms such as manager, leader, authority, power, team or organisation, but there may be and often are significant differences. Is a manager also a leader? Is a leader a manager? Can one be a manager if one has no direct reports? Do you have a team if a manager appoints the leader or must a team select its own leader?

In everyday conversations such details usually do not matter. To emphasise such details would appear at best pedantic, at worst bizarre. For example, if friends get together for lunch and one asks another, ‘What do you do?’, a typical reply might be, ‘I am a supervisor at the local plant’. It would be odd, indeed, if the first person then asked, ‘So what exactly is the extent of your authority; how does it differ from that of a manager?’ (although Karl Stewart, one of the authors, might do so).

In the workplace, however, such issues of authority are of utmost importance, especially to the worker who may be asked to carry out a task. He or she needs to know if this person has the authority to tell him or her what to do, and within what limits. These are significant issues for both the worker and the supervisor, issues that may change the response of the worker to the supervisor’s direction. When trying to implement a new way of working, social meaning can cause considerable confusion.

The practical value of good theory

A good theory uses defined terms and specifies the relationships between and among them so that clear formulations can be made and tested. So often in books and journals we see terms undefined. Jaques often asked people to write down the definition of a manager. It is an interesting task. Critical terms such as ‘leader’, ‘culture’, ‘authority’, even ‘work’ are just not defined but simply used, assuming a shared definition. Like Humpty Dumpty in Alice in Wonderland, words can mean what we want them to mean and so misunderstanding is ‘your fault’. Terms then get recycled to sell ‘new’ ideas: ‘change’ becomes ‘transformation’, ‘detail’ becomes ‘granular’, ‘redundancy’ becomes ‘down-sizing’ or ‘right-sizing’. For an excellent treatise on this point see Don Watson’s Weasel Words.

We have confusing terms such as ‘self-directed teams’ and ‘team pay’. Do such teams have no manager or leader? Do they all get the same pay? We have found that asking these questions is often regarded as pedantic.

Michael Armstrong, in Rewarding Teams (2000), asserts ‘There is no secret to success. It is never wise, it is never fair, it is never safe to generalise about team based pay.’ If this is the

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**Box I.1 Social and Scientific Meanings**

*Social meaning:* A term which is assumed to have similarity for the purpose of social interaction: ‘you know what I mean?’.

*Scientific meaning:* A precisely defined term with deliberately clear boundaries for the purpose of testing hypotheses: ‘this is what I mean’.
case, then it raises questions about the quality of the underlying theory, or the lack thereof. To be valid, a theory must explain all the activity in the field it covers and allow users of the theory to predict outcomes under varying conditions. Clearly the current theories about team pay fail this test.

Professionals in other fields are not so reluctant to be specific about, for example, the effect of smoking on the lungs, stress on a bridge, aerodynamic properties required to keep a plane in the sky, or the temperature in a reduction cell needed to produce aluminium. It is important to note, however, that all these propositions depend absolutely upon a base of shared definitions of entities and the clear description of properties, relationships and constraints. In turn such definitions and descriptions allow clear understanding of the relationships (or processes) that apply in given circumstances and allow prediction of the effects of changing the parameters or constraints of those processes.

Without clear concepts, generalisations are largely meaningless. For example, what can we say about ‘flatter organisations’ or ‘performance-based pay?’ Many argue that organisations need to be more ‘flexible’, able to ‘respond more quickly’, or should be ‘constantly re-organizing’, ‘organic’, ‘fostering chaos’, ‘changing the culture’ and so on. What do these phrases mean in the social context, never mind the scientific context? They may generate the illusion of both meaning and significance but have little substance in reality.

While there is no argument in technical fields regarding the need for theory, definition and clear articulation of process, organisational behaviour and design fields remain theory deficient. Indeed, in these fields ideas and concepts are widely criticised for being too academic if they are specific. Worse, ideas and concepts are considered ‘out of date’ or ‘at the end of their shelf life’, as new fads replace the old. The implication is that an organisational theory is allowed only a specific amount of time, regardless of its content. While this constant turnover of ideas is lucrative for consultants and opens the field for publication by academics, it does not further our understanding of organisations and management. Such turnover is a positive hindrance to the advancement of knowledge.

In the absence of real knowledge and testable theory, there seems to be a tacit assumption held by many that in leadership and management we cannot do a lot better than we are doing now, though many would like to. Better or worse leadership remains somewhat mysterious, even though recognised examples of both abound. We believe and argue in this book that leadership and management can be understood, that significant improvement is possible, and that the methods of implementation and the outcome can be predicted accurately from theory. As you can undoubtedly recognise, even with a good theory, good management is often not easy to put into practice; positive organisations do not grow by default.

Buckminster Fuller (1969) noted that if we find ourselves on a sinking ocean liner and a piano lid floats by, we can use it as a lifeboat. On the other hand, were we to design a lifeboat, we would not create a piano lid. Too often in organisations we are operating with piano lids; what we need is better understanding of leadership processes, systems and organisational design so we can create more effective organisations to meet human, organisational and societal needs.

People and science

There is a long, traditional argument about whether or what scientific method is valid for studying people. Science deals with things we can observe, either directly or with the aid of
various instruments. People, on the other hand, have intentions: purposes that cannot be observed but can only be revealed in the course of dialogue with others. We may never see them and we may not even be aware of them. People may or may not choose to reveal their actual intentions to an outside observer. Further, people have opinions about being observed, and this may influence their behaviour.

When we observe human behaviour, we interpret what we see in order to provide meaning for ourselves. This may or may not accurately reflect the meaning or intent of the person being observed. As we will discuss in later chapters, we make such interpretations all the time. Those who become good at observing social processes often make what appear to be quite accurate interpretations. Nonetheless, developing a scientific base for interpreting social phenomena remains difficult.

We grow up learning how to predict behaviour and our environment. We learn to read our mother’s behaviour first, and over time we evolve internal ‘theories’ that we may term rules of thumb, hypotheses or prejudices concerning why people behave as they do. We use these theories to order our own behaviour so it, in turn, produces the outcome we desire. Sometimes we are right, thus confirming our theories; sometimes we are wrong. When we are wrong, we must decide whether our failure to predict is because our theory is wrong or, if it is accurate, the event was a special case.

Thus, we develop our own ideas about human behaviour. Consequently, propositions such as are made about organisations, which are essentially about human behaviour, compete with our own – usually implicit – theories. This is very different from theoretical propositions in the natural sciences.

We don’t have to grow up developing theories about aerobatic engineering, physics or chemistry. We can get by in life without having theories about smelting, open-heart surgery or nuclear physics. We cannot get by without theories (or at least working models) about human behaviour. We must have these predictive theories even if implicit, internalised and built on experience. If we didn’t we would not be able to predict either how others will react to us, or how we might respond to others. This is why autism is so debilitating. People with autism find it very difficult to create accurate models and theories about others.

**Developing a common language**

The scientist Antoine-Laurent de Lavoisier developed the language of chemistry in the early 18th century, and it was only after his publication of a standard vocabulary that the science of chemistry began its rapid development. His statement of the importance of language to the development of knowledge applies as much today as in his own time:

> We cannot improve the language of any science without at the same time improving the science itself; neither can we, on the other hand, improve a science, without improving the language or nomenclature which belongs to it. However certain the facts of any science may be, and, however just the ideas we may have formed of these facts, we can only communicate false impressions to others, while we want words by which these may be properly expressed. (Lavoisier, 1789 in Bolles, 1997: 380)

In this book we provide a language for developing, discussing, thinking and working with propositions about organisations and management. Of necessity we use words that have a
common social meaning, but we have defined them carefully for our purpose so that those who use them can have shared definitions. This does not mean that other definitions are wrong; they are simply less useful for our purpose, which is to advance knowledge in the fields of leadership and organisation. This will continue to be a contentious area until there is an acceptance that we need universal definitions in this field.

In part because there are alternative definitions, the specific language requires mental discipline to understand and apply. Initially, neither the shared definitions nor the methods are easy to learn, and as instructors we have found in using this material that the insistence on ‘correct’ language is at first regarded as being pedantic. As they apply these ideas in the work setting, however, most people come to understand the value of a clear language to communicate organisational issues. This language allows you to ask questions and to think through answers, all with the discipline of shared definitions upon which the formation of testable propositions is dependent.

A number of the concepts we use were developed by Elliott Jaques and colleagues as the basis for stratified systems theory (Jaques, 1976; 1989). These concepts led him to a theory of organisational structure. Using (and in some cases modifying) the concepts as well as expanding on this theory, managers and researchers have developed a number of definitions of organisation and management terms that are far more precise than everyday social language.

These precise definitions are emphasised to facilitate communication within an organisation and among students of management and organisational theory. Their precision also allows managers to make fine discriminations among phenomena that are often viewed as similar. Such fine discriminations make it far easier to detect error and correct problems early, as well as spotting and seizing opportunities. Peter Senge (1990) noted, ‘The ability to learn faster than your competitors may be the only sustainable competitive advantage.’ As we have argued and as Lavoisier demonstrated, it is impossible to learn in the absence of clear, shared terms and concepts.

We provide such terms and concepts, but members of the organisation will need to learn this language, or create a language of equal or greater precision, if they are to gain the advantages of clarity and accuracy in communication and analysis.

Caveat: The theories presented may appear to be simple, even simplistic, on first encounter. This apparent simplicity is, however, deceptive. As one gains experience with these ideas, the surface simplicity gives way to a deeper complexity. We believe, and many managers have confirmed, that this makes the theories more powerful for practising managers who must deal with complexity in human relations, new technologies and rapidly changing organisational environments. It also makes it more difficult to learn the concepts and become proficient in their use, but we will not insult your intelligence by pretending things are simple when they are not. As one of our clients remarked during a workshop, ‘This is hardly rocket science’, a comment came back, ‘no, it’s much more difficult’.

None of what we say replaces one critical factor: the decision making of leaders. With all the advice in the world, a decision must still be made by someone with appropriate authority. It is not helpful to blame advisers for decisions. They are accountable for the quality of their advice. Any advice, including military intelligence, is just that. It does not absolve the person with executive authority for their poor judgment.

As such, the authors respect executive authority. We do not tell you what decision to make but rather present some tools to help you consider, analyse and predict the consequences of your decisions. We offer guidance in the form of principles, concepts and tools that will improve the systems and leadership of any organisation.
There is no magic here and we use very few metaphors or analogies such as ‘Who moved my cheese’ (Johnson, J., 1998). Used correctly, metaphor and analogy can be helpful. For example, there is a famous story of the scientist Kekule who in 1865 dreamt of a snake whirling in space biting its tail. This led him to the discovery of the cyclic formula of the benzene ring, a linchpin in the study of carbon chemistry. Used badly, metaphor and analogy can become an impediment to the development of knowledge. They become a justification for poorly formulated, half-baked ideas – in short, for stories masquerading as science (Church, 1999).

Our intent is to move beyond magic, metaphor and analogy. We seek to take the next step in the growth of knowledge – to define terms clearly, to state organisational relationships as hypotheses to be tested, to predict outcomes, and explain why particular outcomes do or do not occur. In other words, we are trying to move toward the sort of science described by Karl Popper (Munz, 1985).

Effective leaders must have clear statements of relationships that link action to outcome so they may test and learn from their actions. Without this it is difficult to know how to replicate success or avoid repeating failure.

Leaders also need a language that allows them to discuss their management and leadership process with accuracy and precision. As we have argued, we take this language facility for granted in the hard sciences. A legal or commercial document begins with a glossary of terms, yet the field of management is a linguistic free-for-all. It is impossible to pass on what one has learned if it cannot be articulated clearly. We may also communicate false impressions to others if we do not have a common language to express our observations and ideas. However as a leader it is not enough to know it, or say it. You must be able to do it, consistently and in real time.

Human beings are not machines. Each of the authors has had the satisfaction of seeing people prosper when provided with the right leadership, organisational role, authorities and systems. Some members of Karl Stewart’s workforce even testified in court about the improved quality of their working lives. (See Parts 3 and 4 and the Comalco/Rio Tinto case studies.)

We also recognise the high value people place on organisations, not only in order to accomplish personal goals and earn a living, but also to provide a means to use their capabilities to achieve larger social purposes. Ian Macdonald (1990) has shown how we develop our very identity through our work. Work is our connection to the world and reality. David Whyte (2001: 5) states, ‘... the consummation of work lies not only in what we have done, but who we have become while accomplishing the task.’ On the cover of his book, Whyte notes, ‘Work is an opportunity for discovering and shaping the place where the self meets the world.’

**Box I.2 A Note on Managers and Leaders**

There is considerable confusion in the literature regarding the concepts of ‘manager’ and ‘leader’. Often ‘leader’ is used as a positive term suggesting vision and charisma, while ‘manager’ is used in a slightly denigrating way indicating someone who is concerned only with efficiency or the stewarding of material resources.

We believe, with Drucker (1954: 9), that ‘management is the specific and distinguishing organ of any and all organizations’. We define a manager as a person who is ‘accountable for their own work and the work performance of people reporting to them over time’ (see Chapter 12). Using this definition, all managers are leaders of people; they have no choice. Their only choice is whether to be a good or bad leader. In this we again agree with Drucker, ‘one does not “manage” people. The task is to lead people. And the goal is to make productive the specific strengths and knowledge of each individual’ (1954: 21, 22).
is difficulty and drama, a high-stakes game in which our identity, our esteem, and our ability to provide are mixed inside of us in volatile, sometimes explosive ways’ (Whyte, 2001: 11).

The Gallup Organization recently conducted a poll of 1000 workers in the US. They found 19 per cent of them ‘actively disengaged’ from their work. Active disengagement meant they did not know what is expected of them; they did not have the materials to do their jobs; and they could not get the attention of their bosses. Gallup said ‘actively disengaged workers, based on their numbers, salaries and productivity cost anywhere from $292 billion to $355 billion a year’, and that ‘Disengagement varied from unit to unit within the companies, suggesting individual managers are a big variable’ (Wall Street Journal, 2001: A1).

While the business outcomes are essential if the organisation is to survive, we agree with Elliott Jaques who wrote, ‘... the efficiency of one or other form of organisation cannot be assessed merely in terms of economic or material outcomes; it must be considered in the fullness of its impact on human feelings, on community, and on social relationships and the quality of life in society’ (Jaques, 1976: 15). The concepts we set forth in this book, we believe, fully take into account both the needs of the organisation and the needs of the human beings associated with it.

We have used these ideas ourselves in business and consulting practices. The results have been satisfying indeed and have been sustained over a number of years. One manager in a large utility referred to this material as ‘the stuff that really works’.

This book is about leadership that can liberate people and organisations from stultifying systems and structures. It is about eliminating the waste caused by unclear objectives and arbitrary use of power, and reducing the wasteful levels of activity and effort found in the ‘disorganised’ organisation. The human and material costs of bad organisation are a disgrace to an enlightened society.