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Feature: Social Forces Driving Simpler Ways of Working

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Large, complex organizations have reached a critical size in the modern world. This is probably most apparent in highly-developed industrial capitalist economies.

As far back as 1977 the U.S. National Science Foundation commissioned a study that examined "The Limits to the Management of Large, Complex Systems." An accessible version was reprinted in *The Futurist* magazine that year (Duane Elgin and Robert Bushnell, "Limits to the Management of Large, Complex Systems," *The Futurist*, December, 1977). We take that study as our foundation for this article.

Simply put, as organizations reach an unmanageable size they will disaggregate themselves into smaller, more manageable units in order to survive.

Elgin and Bushnell also argue that these over-sized organizations will break apart their large real estate holdings and re-form into smaller networks of business operations. Our interest, as we said in the Special Announcement, above, is understanding what these networked workplaces will look, like, where they will be, and how they will operate.

Duane Elgin's work is very detailed and complex. Let's boil it down to five basic reasons why large organizations are no longer viable (leaving aside for the moment precisely what size makes an organization "too large"):

1. Most individuals can no longer comprehend the entire enterprise.
2. Increases in management complexity exponentially increase cost.
3. The possibility of errors increases with number of decisions required.
4. Organizational "agility" decreases with size and complexity.
5. The probability of system failure increases with complexity.

In our opinion, the recent failures and collapses of major financial firms (Lehman Brothers, Merrill Lynch) manufacturers (General Motors, Chrysler) and governmental agencies (FEMA) provide ample case examples of this process. And we would humbly submit that the current brouhaha over health care in the United States is yet another piece of evidence. Things just seem to get bigger and bigger until they virtually collapse of their own weight and complexity. But why?

Elgin and others have laid out those five basic reasons for this phenomenon. Put in simple business terms, several things occur at once. First there is a lack of precise performance measurement systems, especially those tracking environmental impacts and sustainability metrics. Profit is therefore seen as a singular motivation with little regard to environmental health or sustainability.

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Second, organizations attempt to expand their market into an ever-larger population to achieve efficiencies of scale: "everything to everyone." Next, a bureaucratic imperative takes over. Power and status accrue to individuals based on the size of their budget, headcount under their control, and so on—with little relationship to business needs, functional expertise, or even relevance.

Our old friend technology doesn't help either (in spite of all the hype surrounding new technology). Expanded use of ever-more-powerful communications technologies can actually push an organizational system to an excessive scale. How many emails do you get a day?

But there is a more basic underlying assumption that pushes this "ratchet effect." It's the philosophical assumption that growth (or greed, if you are cynical) is *always* good. (We'll have much more to say about this particular point in the next newsletter). And, lastly, no one wants to alienate any particular constituency, so everybody gets something. Well, simply put, there is a limit to that strategy. Anyone who has raised children understands that!

Thus there are many factors driving organizations to the breaking point. What does that look like? Again, going back to the Elgin/Bushnell NSF study, it seems that there is a knowable, repeatable pattern to this growth phenomenon.

Stage 1—high growth (size and performance both increase)
Stage 2—greatest efficiency (e.g., the height of industrial expansion in the Western world)
Stage 3—severe diseconomies (cracks in the wall; coordination costs explode)
Stage 4—system crisis (decision to change, or destruction)

We believe most large, complex organizations in the Western world are at Stage 4. The examples we mentioned earlier seem to bear this perspective out; we now (at this writing, in late summer 2009) expect that more organizations, including some public institutions, will enter crisis before this year is over. Public outcries that "things have become unmanageable" will rise in volume.

If we keep following Elgin's analysis there appear to be some predictable responses to this crisis of complexity. An organization can simply try to muddle through: hunker down and hope the storm blows over. Cut expenses; cut staff; fire the whole marketing department; stop travel; we've all seen it. We call this response "turtle behavior." Or the organization can simply descend into chaos. Need we say more than the financial market meltdown in the United States, and indeed much of the industrialized world? Darwinian forces seize control and blood flows freely.

Or there can be an authoritarian response. We most often see this in governments when power is centralized, strong dictatorial leaders emerge, and the wagons are circled. That kind of response only delays the ultimate realization that the old ways of doing things don't work. But of course we've never seen that kind of behavior (we say with tongue in cheek, wink, wink).

Lastly, there can be a transformational change. A higher level of structure finally emerges that transcends old political boundaries; there is a move to simplicity at all

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levels of organizations, and higher levels of self-awareness begin emerging across the economy and all of society.

We are interested in learning more about organizations with the foresight, courage, and inclination to transform toward those simpler forms and higher levels of consciousness. They will shed many of their large, complex, and concentrated strategic assets. They will move all their fixed assets (i.e., real estate, human resources and information technology) to variable assets. And this is where "third places" we are so optimistic about come into play.

These alternative places to work are by design and by definition places where organizations (and individuals) pay only for what they use, when they use it. Pay-as-you go for places to work, meet, receive mail, and store things. The effective third places we've seen also offer lots of technology outsourcing, as in renting a computer by the minute, or paying for software on a usage basis ("software as a service"). But what about people, the ultimate value-producing resource of the future? Be patient; we'll get to that in a future article.

As places to work become embedded physically within the communities where people live, we believe the basic relationship between "employees" and "employers" will morph into something new as well.

We're out of space of this month—so we'll leave you with the tantalizing thought that "You ain't seen nothin' yet" and return next month for an in-depth look at the economics of it all.

Please send your comments directly to us. We look forward to learning from you.

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