Strategic Advantage of Systemic Leadership

Principled Leadership Through Principled Thinking

Jane Lorand and Bruce McKenzie

If we are to change the world, we need to focus on our thinking as the lever. Only thinking can design a course to reconcile what we think with what we do. People feel increasingly helpless as the earth and humanity skids toward calamity. Yet feeling fearful and helpless does not offer a path toward effective change and action.

As leaders, we take personal responsibility to improve something significant. This means to respond with ability. Values inform principles and principles inform and guide our individual and collective thinking. We are inspired by the clarity, the coherence, and the moral force of principled action. Thus, we build the confidence we need to lead effectively in today’s world of complex issues.

This paper is broken up in to three sections:

1. Systemic Thinking Principles and Practices
2. Applied Critical Thinking
3. Systemic and Critical Thinking as Strategic Advantages

For over two decades, I’ve been teaching Applied Critical Thinking for Business Redesign and for the past ten years, with support from Australian Bruce McKenzie, I’ve been weaving in the powerful Principles and Practices from Systemic Thinking. This work is for our clients and was for my students in the GreenMBA who were experienced professionals and who came from around the world.

Once we develop a comprehensive vocabulary of thinking (virtually unknown in even our best universities) and practical, transferable skills and practices in applied settings, we can begin to build teams that can comprehensively answer the generic questions:

Is this idea a good idea?
How do we know?

We can also build a culture that supports thinking and takes conscious responsibility for aligning what we think with what we do, as business practitioners on the planet. This is what we mean when we say that we want the connections between our strategies and our values/principles explicit.
Systemic Thinking Principles and Practices

Systemic Thinking Principles and Practices have emerged from Living Systems, Complexity Science and recognition of the value of Experiential Learning both past (and ongoing) within organizations. These Practices are fundamentally exploratory and yet also highly disciplined. They are appropriate to use when the organization and leadership are trying to “manage” complex issues. We use the term, “complex issues,” as a term of art that is elaborated in the following graphic, based on David Snowden’s Sense-Making Framework. Leaders need to shape their leadership based on the nature of the issue they are facing. The threshold question is, “Is this issue COMPLEX, ROUTINE, COMPLICATED or CHAOTIC?”

Key Variables—The Known

Characteristics of **COMPLEX ISSUES**

**Variables:** Cause and effect of main variables is **UNKNOWN:** “Many variables, constantly changing relationships; we do not know if A is causing B or B is causing A, or neither...or both. Many variables are unknown, most are beyond our control. We have, at best, “retrospective coherence,” understanding patterns only AFTER the fact. Yet, we still need to make decisions in the present.

**Goal:** Continuously Improving our Position, Sensing & Adaptability

**Uncertainty:** High uncertainty, chronic state of affairs

**Shape of Leadership:** Systemic methods engaging as diverse a group as possible to explore, create rich pictures with emergence and patterning.....then build opportunities for transformation and test them, probing and tracking the system’s reactions. Emergence and collective intelligence are key resources.

Key Variables—The Unknown

Characteristics of **COMPLICATED ISSUES**

**Variables:** Cause and effect of main variables is **KNOWABLE:** “We don’t have the knowledge within our organization, but the variables and causation is known by experts.”

**Goal:** Bring in the relevant knowledge, and drive the issue into the Routine Category

**Uncertainty:** Low uncertainty, episodic state of affairs

**Shape of Leadership:** Oligarchy as a leadership form is appropriate, bringing in EXPERT knowledge and informing the team, then applying the knowledge to the organization’s challenges.

Characteristics of **CHAOTIC ISSUES**

**Variables:** Cause and effect of main variables is **UNKNOWN:** “We know the more obvious aspects of what is going on, yet the system is destabilized and we don’t know what is coming next.”

**Goal:** Restabilize the system short-term

**Uncertainty:** High uncertainty, episodic state of affairs

**Shape of Leadership:** Authoritarian, rules-based assertion of control of one or more of the obvious variables, sensing into how the system reacts to dropping in constraints or creating openings. This can only work for the short term.....then we need to shift to appropriate shapes dependent on what emerges.

Characteristics of **ROUTINE ISSUES**

**Variables:** Cause and effect of main variables is **KNOWN:** “We know what is going on, we just need to get our processes aligned and efficient.”

**Goal:** Solve the problem

**Uncertainty:** Low uncertainty, chronic state of affairs

**Shape of Leadership:** Hierarchy with strong, two-way communication is an effective leadership model

Adapted from David Snowden, Harvard Business Review, Nov. 2007
We encourage the reader to carefully follow the parallel construction of the chart, and ask “Why does it matter that we choose the appropriate SHAPE of our leadership?”

As the graphic illustrates, Routine and Complicated Issues sit in the “Known” arena: this means that the cause/effect relationship among the key variables is known or knowable, even if we can’t control it. Complex and Chaotic Issues sit in the “Unknown” arena: we don’t know causation among key variables and we may never know. If we recognize these distinctions, we can shift our expectations and stop masquerading. We can protect our leaders from unrealistic expectations that they “Solve it now! You’re the leader, so fix it!”

Many consulting groups, as a rule, want to block the distinction between Complex Issues and Complicated Issues so that the organization has to depend on them to provide “answers” and “cover” for the leadership team. In our experience, this dependency serves the consultant, not the client. Systemic Thinking and Practices support in-house personnel and stakeholders to optimize the organization’s strategic advantages when addressing chronic, highly-uncertain issues. There are no “answers” and trust is built so there is less of a need for “cover” because we aren’t pretending to know what can’t be known in the present.

Systemic Thinking gives us a framework to know what shape of leadership is appropriate depending on the nature of the issue before us. One size does not fit all: and the strategic advantage of Systemic Thinking and Practice is that leaders and supporters become adept at first deciding the nature of the issue before them, and then adjusting their expectations and leadership practices.

Futuring becomes an everyday experience because the energy and focus of our people is not focused on self-protection. The fact that we don’t know everything doesn’t mean we don’t know anything: what is essential is to lead without being in control and bring to bear all that can be known in ways that insights and patterns emerge. This is a huge strategic advantage and promotes authentic collaboration and resilience.

Building Systemic Skills and Practices does not mean we are afraid to make decisions, but rather we have the courage to change how we make decisions, and how we enter into ongoing exploration using the collective intelligence of our teams. Transparency, candor, diversity of input and the essential character of “exploration” yield strategic advantage and support the intangible yet indispensable trust, coherence and inter-dependence.

Systemic Thinking and Systemic Practices reflect definite values: for us, being a value-driven organization means more than having a big heart and being willing to work hard. It means agreeing to abide by the principles and practices that are often counter-intuitive amidst the command/control leadership modeled all around us. It takes courage: we have courage. It takes insight: we build insight. We attract people with both, and they stick around because this is a very fun place to work.

Systemic Principles are identified in the graphic on the next page. While the practices are open and exploratory, they are also highly disciplined and capture both the experiential knowledge of participants but also the imagination and collective intelligence. The graphic illustrates the interdependence of all principles: if we fail to abide by a principle, the system is significantly weakened, and we open the door to mistrust, erosion of confidence and incoherence. In the text following, more detail elaborates each principle.
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The Systemic Principles are Highly Interdependent.

**Egalitarian Engagement:** is a core principle of Systemic Methods, simply because it is essential for full participation where hierarchy typically is the operative shape of group sessions. We never know who, among all of the possible parties-in-interest, hold the relevant pieces of information. Typically, pieces of information are needed to come together for the “Ah ha!” to appear among one or more participants. Ricochet ideas are common: we don’t know whose perception will catch the flying pieces of an idea, and mold it into a useful pattern for the group. These viewpoints are considered from an egalitarian perspective because we are all bringing what we have – and it is arrogance, born of ignorance, to assume that your piece of information will be the one that determines the outcome. Intellectual humility emerges as we quickly see that our idea is one of dozens…and it may not be the most compelling.

**Candor:** we encourage people to safely share their unique perspectives as offering a fragment of truth on our shared path to pursuing a richer picture of the truth. Also, we promote anonymity so that we leave “our idea” without attachment, and without anyone tagging that idea to us. This works to decouple the individual ego from his idea, and curbs our egotistical expectation that people will esteem us for “our” idea. It also shifts attention to the ideas themselves, rather than to whose idea it was. While helping us to overcome fear of reprisal for speaking “our truth,” the Systemic Methods consciously work to suppress sympathies/antipathies of the person whose idea it was and let the power of the idea speak for itself.

These Principles are interdependent: omit a principle, invite breakdown.
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**Emergence**: this is a property of systems. It is illustrated in Systemic Methods when participants in a social system, through being exposed to a wide variety of new ideas (using both conversation and quiet reflection), can open the window for “new ideas,” ideas that may capture the essence of what is before the group. Synthesis, a basic Critical Thinking strategy, also creates a space/time where it is expected that participants review and quietly reflect on what has just come before them – providing a social form to support emergence and confidence in one’s own independent judgment. If we don’t set aside this quiet reflection time, we miss many of the richest gifts. If we provide appropriate social form, moral imagination, intuition and inspiration are more available to us.

**Independent Judgment**: in our quest for comfort and acceptance in groups, we often give over our independent thoughts to “group think,” diluting the power of diversity out of our need for sympathetic social engagement. It is awkward to “rock the boat” or say things for which we expect people hold antipathy. Consequently, our piece of the “truth” is not spoken. Specific design parameters need to be in place to protect against the compromise of unique values and points of view.

**Diversity of Perspectives**: Different ages, genders, cultures and histories help illuminate the complex human narratives. Our life experience is rich and diverse. Polarities are everywhere, as is the truth. However, none of us has the whole truth. Yet, we easily have the illusion that our truth is the whole truth, or at least the most significant part of it. Through “Rich Picturing” in Systemics, to “Points of View” and “Core Concept” work in Critical Thinking, methods of social engagement work to remind us that each of us, at any moment in time, has only a fraction of the whole. If I do not seek out other diverse perspectives, I admit that I don’t care…or I assert an egoistic picture that my picture is the whole. A lack of diversity is dangerous at best.

**Transparency**: if we are serious about transforming the world and business, we need to be open and engage in full disclosure of our experiences, thoughts, feelings, and actions. We need to take the step to make transparent to all, the ideas or facts that are relevant. The opposite gesture, that of withholding for ulterior purposes or out of carelessness…gives over to the suggestion of power/control of others…or of carelessness of others. It may reveal that we don’t trust others to know what we know. All of these antisocial gestures live if we don’t challenge them consciously. In Systemics, transparency is an essential tenet of the work. In Critical Thinking, the group exploration of the question, “Is this idea a good idea?” invites transparency of the thinking and the various rationales behind it, with everyone seeing everything and able to contribute. The goal is not to win, but to pursue the truth and form the most effective judgments, when we do need to make decisions. If we withhold the basis for our decisions, we can hardly expect others to support us. Suspicion and distrust are rampant examples of our antisocial tendencies, yet we are taking them on directly through our design in both Systemics and Critical Thinking practices.
Holistic Imaginations: Although some people want to work by laying one brick upon another, what is essential is the imagination and thinking of the architect, who set to work to put the materials together artistically, using a broader context. This acknowledges the value of those who seek the principles that must underlie the whole structure. A splendid understanding and interest is needed. In our work incorporating “systems mapping” and “systemic maturity” (where simultaneously we can hold multiple perspectives, especially those that contradict each other), we reflect this articulation of a core principle of Systemic Practice.

Designing for Time to Think: in our Systemic Methods, we acknowledge that humans are evolving in their consciousness, and with the influence of technology over the past two decades particularly, people are processing information increasingly quickly. Indeed, we have less and less patience with listening to “talking heads” without having opportunities to socially engage…to share our thoughts as well as to listen. Thus, our methods utilize time consciously to provide for our changing consciousness and habit life. Social time is most often used in active, task-oriented social engagement. We change pace and move on to new situations, thus diffusing unproductive sympathies, antipathies and boredom. The new ideas of the group and various sub-groups become the linking thread, rather than our feelings. Because the thinking is emerging from the group and is not linked to individuals who “had the thought,” we also depersonalize it, thus blocking egoity and self-centeredness.

Rhythmic Review: as humans, we are subject to the rhythms of the universe, of the earth. Yet, we have emancipated ourselves to a certain extent through technology, and this “freedom” is both essential, and can easily be overdone. The power of rhythm as a strong social force for good is part of Systemic Methods in organizational life. Ideas that emerge are implemented, and regularly reviewed so that they are not allowed to stand as “dead” ideas. The expectation is that we need to revitalize our ideas by revisiting them, sharing new experiences and learning. These practices contextualize change and adaptation as the norm.

Trust the Group: This principle sits at the heart of Systemic Methods. It does not mean to give the group unbridled, un-formed freedom to self-organize. It does mean that if we have designed processes that balance and integrate perception, thinking, feeling, and willing – then we can expect the group to work toward health, morality and self-organizing vitality. Facilitators (or leaders) do not grasp authority from the group as it exerts its capacity to self-organize and aggregate ideas into strategies. Different individuals will step forward at different times in the processes, and the facilitator’s role is to sense and intervene, where necessary, only to maintain safety, balance and flow. It is the facilitator’s role to design processes that take advantage of the integration of all of the Systemic Principles because that is where the power of the system supports the group and each participant.
Clarity of Higher Purposes: In working with complex issues, the goal of Systemic Methods is “continuous improvement” of our position and of the situation as a whole. The goal is not to “solve the problem” when it is complex: if we are fuzzy about this and expect the leader to fix it, then the leader and the group will fail. The issue will reemerge in another guise soon enough. The supporters need to realize that the leader is not to be held accountable for “fixing” the problem, because complex issues are not problems – they are conditions. In Critical Thinking, every idea that needs to be reasoned out is being thought about to achieve a higher purpose. Without clarity about purpose or intention, we wallow and flounder. Crafting effective Higher Purpose Statements is a core skill for critical thinkers.

Today’s effective leaders seek supporters, not followers. There is a crucial difference. Followers succeed by attending to the tail feathers of the one in front of them. Followers do not feel responsible for scanning the horizon for relevant observations. Therefore, the absence of a clear Higher Purpose is less significant for followers. If supporters lack clarity of higher purpose, they are significantly less effective scanners in support of their leaders.

Focus on Relationships: In Systemics, insights are available to us when we study phenomena as systems, with properties and qualities that have patterns. However, what we learn is not to focus on the “nodes” or parts, but to focus on the relationships among the parts. Everything is continually being addressed as relationships among aspects of various systems. Shifting points of view and recognition of the significance of the relationships among the elements is crucial. Our methods of social interaction are all asking and supporting participants to consider the relationships among facts, ideas, people, and organizations. It is challenging, yet highly productive and examples of “living” thinking. The organizational capacity builds quickly with appropriate practice.

The interdependent, coherent methodology enables groups around the world to function effectively in a real-time, dynamic environment. No one is pretending to know what can’t be known: everyone is tasked with sensing into the social/cultural/political and business environment to pick up “weak signals” and inform the group so that patterns can be detected and shared for mutual strategic advantage. This is an exciting way to work.
Applied Critical Thinking

Applied Critical Thinking in its comprehensive form, supports Systemic Principles and Practices. We consciously suspend our judgment during the exploratory phase of working with complex issues. Now, we consciously shift to developing and refining Well-Reasoned Judgments. The Archetype of a Well-Reasoned Judgment informs our decision-making and is illustrated in the graphic below.

Semantic confusion reigns around the word “judgment.” It invites the perjorative inference of “judgmental.” Our experience with making “judgments” is that we are asserting ourselves, and such behavior is easily seen by others as aggressive, arbitrary, and unsubstantiated. Yet, we need to make decisions! Similar emotional triggers emerge from using the word “critical.” It calls up our painful experiences of being criticized, which we remember as unwarranted.

To be critical means to be discerning: we need to make discerning judgments. How can we lead if we are not seen by our supporters as being competent to make decisions? What we need behind and through our judgment are transparent reasons. These emerge from a rigorous, transparent process. We are not promising to make Right Judgments: we are promising to be comprehensive and rigorous in our thinking. Once I had an elderly man give me a dazzling answer to the question, “What is the difference between a Right Judgment and a Well-Reasoned Judgment?” An answer? (Hindsight!)

Multiple Well-Reasoned Judgments can exist on a complex issue because of underlying value differences or disagreement on the probability of key assumptions. However, if an organization had many transparent, fully-reasoned judgments to consider before a “final” decision is made, they would be ahead of 95% of the pack. And, they would be working out of Intellectual Humility and would support the decision, even if it is not the most compelling one from a given point of view.
In over twenty years of teaching Applied Critical Thinking in universities and with corporate executives, I have never had a student come into a course who knew about the Archetype of a Well-Reasoned Judgment. They immediately recognized the confusion that exists semantically with the words judgment, critical, and also with the word “opinion.” It is my experience that we are held imprisoned by the continual ambiguous use of the word “opinion.”

In my Critical Thinking practice, I discourage the use of the ambiguous word, “opinion.” Opinion is void for vagueness — as it can mean a highly reasoned judgment of our courts — and at the same time the charged preference of an uneducated but passionate adolescent. The flawed logic goes as follows: all people have opinions; all people are equal, therefore all opinions are equal. Our confusion is evidenced in our language. Consequently, when I say, “Well, George, that is your opinion,” what I mean is that we disagree and the potential social exchange is over. Preference is properly subjective; reasoned judgment is objective and this is the heart of Critical Thinking. We can avoid the muddled concept, “opinion,” and substitute either preference (when we’re satisfied with a subjective response) or reasoned judgement (when we seek a rigorous, evidence-based response).

In Critical Thinking, we encourage actual language practice, such as “Hmmm, tell me, what about that idea is compelling for you?” or “How interesting…tell us, how did you come to that?” This helps support independent judgment, part of our quest to be free while at the same time, social participants who remain in a relationship.

A level playing field emerges once the criteria for effective reasoning are understood and used as the “language” of responding to the question: “Is this a good idea?” Each element needs to be considered, often multiple times as the process is non-linear. Everyone can ask questions from any of the elements, without risk of defensiveness: all of us want to use our best thinking and judgment, and the best overall result for the organization will come from this type of transparent, rigorous process.

Leaders need support from multiple perspectives, for when complex issues and opportunities meet us, we often “don’t know what we don’t know.” In our most effective organizations, our agreements reflect both permission and a duty to raise complex issues. Under conventional hierarchy and leadership styles, these issues would never be raised because they are too dangerous.

Critical Thinking helps support us once we have a multiplicity of options before us. The options come from the more exploratory processes of Systemic Thinking. Both intersect all the time, however they work to create a working platform in high-achieving organizations.

Applied Critical Thinking also works hand-in-hand with Systemic Thinking by creating a set of Insight Maps that can quickly help us retrace our past thinking and assumptions, and more quickly adapt to changes in circumstance. New staff can “catch up” with the thinking behind the actions that they are expected to understand. Our Insight Maps let us revisit observations and ideas generated by earlier groups and help validate or refute patterns. Ricochet ideas quickly appear as new conditions can meet up with earlier observations …with no one to blame, and no one trying to be “smarter” than anyone else.
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Systemic and Critical Thinking as Strategic Advantages

Strategic Advantages of Systemic and Critical Thinking and Practice are numerous. Egotists will have a difficult time surviving in our culture, even if they slip in past our screens. This is core to building a global company with a value proposition that can quickly scale. To do this, we need to operationalize these principles and practices, recognizing that there are no excuses for unprincipled leadership.

We are committed for the long-term and by modeling intellectual humility, the trusting relationships among our shared networks will become increasingly valuable. We will be THE PLACE top talent wants to work because the way we work enables us to be fully human. This means that family and community social life are essential to health and balance. In law firms where you are expected to bill 2000 hours/year, this is impossible. In sustainable, dynamic organizations, this is not tolerated, although we all love the work.

If we want to attract the talent we want, our signature is plain for all to see: we do that to which others merely give lip service. We not only say we are a team, we have transparent principles and practices that are known and supported by all. Highly talented individuals who share our values are willing to forego self-optimization or self-glorification for the joy of original thought and real collaboration. Of course, through this path, their professional life will be optimized far more by the group’s success. I was at UCLA during the four consecutive years that the legendary coach, John Wooden led his players to the NCAA basketball championship victories. The star players were in my classes, and I learned the “secret” of Wooden’s success: principles and practices, and focus on the constellation, not the individual stars. No exceptions. You don’t have to shout it or shout at each other; you simply live it. Is this the approach at your organization?

As we identify new opportunities for the organization, we are able to quickly use Systemic Practices to scan the horizon, connect the “hidden” experiential knowledge that resides in our staff and their networks - and to generate a variety of options related to the new information that has come our way. We build intellectual capital through our Insight Maps so that everyone can share, and thus we are constantly living in a learning lab. Everyone’s ideas are considered, and this gives impetus to “deep thinking” by our staff beyond the workday. We all know that our ideas will be given air time and may make a difference.

The leaders and supporters in the most effective organizations are not preoccupied about getting an “A” or rewards. My GreenMBA students had to develop a unique assessment methodology and grade themselves by it: I had to help them NOT to work too hard! Unleashed is the intrinsic motivation that emerges from a principled work environment. These principles and practices provide the basis for “our secret,” we don’t need extrinsic rewards dangled before our eyes to get us to give our best. Such rewards are distractions and often do far more harm than good, pitting staff against each other in a scarcity environment.
We learn from Critical Thinking to ask “Potent Questions.” Typically, we ask questions to meet our own needs, however, Potent Questions reverse this. This is a disciplined practice that requires a noble intent, reflection and sensitivity because the beneficiary of a Potent Question is the one who is being asked! Potent Questions change us: they are gifts. Is this strategic gain? We think so.

We link Potent Questions up with Coherence Mapping, a Systemic Practice, which enables us to identify functions within the organization. Each functional group asks every other group,

“What do you need from us to optimally meet your purposes?”

“When do you need it?”

“Why do you need it?” (...so we can better understand and tailor our response!)

Of course, we are not promising to meet all of these needs, however, if we know What/When/Why, we can meet some. That we asked at all is a giant signal to the culture that we care and are systemically mature enough to make the time and also to respond when others ask us. This practice gives us a strategic advantage because we are consciously designing a culture, we are designing a “growing medium” that will support an organization with a world-class, game-changing products (WindTunneling and TheFULCRUM) that are essential for a sustainable future. We’re building social capital essential to a sustainable future.

As we scale and refine our identity and value propositions, innovative and resilient organizations will work in the world of Complex Issues every hour of every day. We have the strategic advantage of 1) not trying to manage this with a hierarchical organization for all issues, 2) being inspired by a vital, ethical, and dynamic culture that greets us each day, and 3) not having to pretend to know what cannot be known while knowing how to optimize what can be known.

As an organization we continually build on clarity and transparency of what we believe and why we believe it. Once, an extremely capable student was giving one of his final presentations in my first-semester applied Critical Thinking course in the GreenMBA, he explained a key take-away. He came into the program with a picture of success that was fairly unexamined and conventional. At the end of his first semester, he came up to the board and wrote the words:  Success is ................

He then explained that the course had enabled him to radically shift his perspective. He had come to see that “Success is knowing what you believe and why you believe it.” This is one of my “prescriptions” for being a free human being, and for this student, it gave him a nudge that made a huge difference. How many of us know what we believe and why we believe it? How many of us are coherent in explaining it to others? This is a product of Critical and Systemic Thinking.
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Systemic practices are at the foundation of relationships and networks each player brings to the organizations’ success. Stakeholders and professionals offering service create Social Capital just as do clients and employees. Della Gilleran, co-owner of Marketing by Design is a professional we’ve worked with for fifteen years. She and her team all understand and abide by these principles and thus, are able to quickly develop appropriate communication and marketing pieces that are affordable and consistent with our brand development.

They share values and go the extra mile because they get it. It is simple as that.

After decades as entrepreneurs and after thirteen years of working with business people from all industries and from countries around the globe as the founder and anchor professor of the GreenMBA, it is my view that if we commit to this path and discipline our practices, sharing them and educating all new staff.....we will have a company as innovative as our product and provide true triple-bottom-line benefits to all who are touched by our work. From our perspective, this is a noble goal. It supports us all to dig deep for the courage to meet today’s complex issues. Bruce McKenzie and I invite you to join us in this work.