

## SYSTEMS THINKING IN BUSINESS

When you encourage people to use a systems thinking approach, you're asking them to explore and identify the underlying forces at work rather than focus on the superficial symptoms. The table below shows more examples of systems thinking "frames" through which you can view your organization and its environment.

FRAME	WHAT YOU SEE	
	"SYSTEMS" PERSPECTIVE	"SYMPTOMS" PERSPECTIVE
<b>Customers</b>	Shifts in behavior in specific segments	New, old, desirable, expendable
<b>Competition</b>	Shifts in market positioning and branding	Size, proximity, growth, threat, opportunity
<b>Technology</b>	Shifts in technology driving new business models	What's working, what's broken, what do we need
<b>Operations</b>	Performance measures that integrate and align e.g. balanced scorecards	Different processes, work units, people
<b>Management</b>	Leading through purpose, core values, vision	Managing by objective
<b>Partners</b>	Synergies (or non-synergies)	Desirable, expendable

Most people become accustomed to focusing their attention in just a few places – on the competition, for example, or on technology. When you use systems thinking, you discover just how much each frame alters your thinking. Using a systems perspective you also discover there are fewer variables to juggle. As you step back and view things from a longer time scale, you find it easier to pick out the critical issues to deal with. The result is a more balanced perspective, clearer thinking, and stronger leadership.

### The Five Frames of Systems Thinking

When you use systems thinking in business, you discover patterns of assumptions that may have been invisible. We refer to these as "frames." In the field of cognitive science, it's well understood that frames influence how people think about a particular issue or problem. In the world of politics, there's a conservative frame (*"We need to be more self-reliant"*) and a progressive frame (*"We need to do more to help others"*).

In the business world there are many frames as well, depending upon where you're sitting and the view before you. There's the organized labor frame (*"Management will take advantage of us"*) and the environmental frame (*"Business leaders care more about profits than protecting the environment"*). Each frame has its own way of seeing the world and responding to problems that arise. Each frame typically over-simplifies the problem and inhibits systems thinking.

From an organizational perspective, I've identified five frames that affect how a leader sees his or her world, each carrying with it a set of assumptions about what is important. These frames are strategy, governance, performance, process, and leadership.

### **Strategy**

In this frame, you focus on the long-term market trends affecting your business. You think about your competitive position, opportunities for innovation, where growth will occur, and which broad initiatives are required to capitalize on those trends. You respond positively by thinking about the long-term use of your resources and how to focus to achieve your most important priorities. You respond negatively by focusing too much on the details of what your competitors are doing.

### **Governance**

In the governance frame, you assume a focus on the people that control the direction and resources in your company. You think about the relationship between your board of directors, your chief executive, your leadership team, and the authority that is designated to each. You respond positively by thinking about which governance system and framework will best assure that people are clear about their respective decision-making roles. You respond negatively by blaming your woes on misguided decision making at the top of the organization.

### **Performance**

In this frame, you focus on the systems for measuring performance – first at the overall organizational level, then at the level of the various business units within the organization, and finally at the team and individual level. You respond positively by focusing on long-range outcomes and deciding which metrics and targets to track at the topmost level, and which systems of communication will best align business units and teams of people in understanding where they are succeeding. You respond negatively by paying too much attention to measures of outputs and isolated cases of poor performance.

### **Process**

In the process frame, you focus internally on the processes of producing a particular product or service. The process frame looks at the key ways in which the organization creates value: for example, at how sales are generated or how orders are fulfilled or how products are received or delivered. The process frame helps you look at the effectiveness and efficiency with which the organization creates value. You respond positively by delegating to teams the task of improving cycle time, or quality, or the decision making that supports the process. You respond negatively by micromanaging a process.

### **Leadership**

In this frame, you focus on getting the right people in the right positions, and on getting everyone to assume leadership for the enterprise. This frame looks at the competencies

you need and how you can develop people to their best potential. You respond positively by developing feedback systems that enable people to learn continuously, to receive coaching and feedback, and to take responsibility for their performance. You respond negatively by selecting and promoting people to leadership roles based on arbitrary factors, such as how much they support you.