

STRUCTURED TO FAIL

BY

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Maybe I *am* Molière's Jourdain, speaking prose without knowing it. The idea of structure has been on my mind as I've convinced myself that it determines outcome. Go ahead, tell me, "*Everyone* knows that . . ." Maybe, but it seems to me that if so then this notion is forgotten – or at least underutilized.

I'm currently working on an innovative initiative that's practically a start-up: no markers; no guideposts; hell, no path. Just some loose analogues to mislead and comfort. The sky's the limit, but the abyss may also be just beyond our view. Right now we're figuring out a corporate structure to maximize investment sexiness and success likelihood (factors that do not necessarily correlate). We're also to develop an organizational structure to ensure the business is blessed with the right blend of speed, innovation, risk avoidance, and stability (again!).

What we're realizing is that, given second and third-order effects, "you can't get there from here." Or at least that the line between now and then – structure and a desired outcome that is several decisions, actions, and outcomes downstream – is tortuous. With some foresight, it is possible to see that some structures will ultimately result in failure even after early promise. The trouble is each

structure presenting a false transparency and linearity between cause and (desired) effect that makes it seductive on first inspection. For instance, a well-defined, command-and-control hierarchy will ensure unity of direction and strict focus on the core objective (i.e., successful start-up, operations, delivery, etc.). Or, perhaps partnership would increase speed to market by resolving both regulatory and capitalization requirements. There is an obviousness to any example that undoubtedly well suits it for some immediate, primary concern and intent.

I would contend that the more seductive the structure, the more downstream trouble it's hiding. That same command-and-control hierarchy we foresee ensuring single-minded focus holds in it the seeds of a blindered, unwaivering march over a cliff.¹ Later, even if immediate catastrophe is avoided, the structure may entrench undesirable

¹ Reminds me of a story about the British cutting their way through the African jungle. After hours of listening to a deafening din, one junior officer climbs a tree and sees the company heading straight for an uncharted waterfall. He breaks rank and rushes to the commander, telling him they're *going the wrong way*. He's rebuffed with, "Nonsense. We have a plan and it says there is no waterfall. Besides, *look at the progress we're making*."

attitudes and behaviours. More specifically, were we to add only one more condition to the example – say, that the resulting organization ought to be responsive to a fluctuating market – under all but exceptional circumstances (e.g., a strong leader that exhibits the desired traits or a reward system at cross-purposes with the structure) the structure renders the end unachievable.² Similarly, the freedom and speed created by a partnership structure may be self-constricting once past the market entry stage and inhibit reaching the ultimate goal. In short, this choice of structure will, before a single watt of execution energy has been expended, substantially determine success *regardless* of how well or badly the plans are executed.

What about fixing instead of creating? What if a loosely organized, dysfunctional department needs a gutting? What if the evolving structure seems counter-intuitive to at least some of the stated goals? Consider a group doing Internet-based product and service innovation inside a process based mother company – one as incremental as they come, transforming only on the cost side. One with historic discomfort with radical new lines of business.

What we have is a group mandated to innovate and deliver “big ideas” outside the corporate comfort zone: ideas that shouldn’t even smell like the core business. But what’s developing in the restructure are procedures that refract obliquely into an unlikely environment the process-driven, hierarchical core business culture. Based on anecdotal evidence (like the environment of successful creative groups), I think it’s fair to say that creativity and innovation are typically at odds with the rigorous, cost accountant-driven procedure and structure that keeps a very large enterprise on a steady keel. Chances are the design for taking control and imposing discipline on the problem area

will severely limit the ability for the group to deliver on its broader objectives. The fullness of time will tell that tale.

The importance of initial structure on eventual outcome is widely documented in the literature of complexity science. Using the principles of complexity, we can propose at least three reasons why initial structure is crucial. And, inversely, three ways to approach structuring for greater likelihood of success.

First, all organizational objectives are sensitive to initial conditions. Which, in the language of complexity, means that development trajectory and outcome will vary significantly as a result of seemingly inconsequential variations in the initial conditions – such as structure. Some of us get it better as, “Where you end up has a lot to do with where you started from.” Unfortunately there is absolutely no certainty about which variations among the multitude of initial conditions will produce what results. The best bet then would seem to be keeping options open. Stay flexible and think through at least three levels of cause-and-effect. Then, set up the original structure to accommodate any of the potential situations that could develop, optimized for the most desired.

Second, human organizations for the pursuit of objectives are non-linear. The causal chain is not predictable, either in specific outcome or scale. As a result, apparent control and stability can deteriorate rapidly, although not alarmingly, into an entirely uncertain state. With every choice through the causal chain being a bifurcation point with uncertain outcome, the range of possible development directions grows exponentially. Thus can the cause-and-effect chain of a sensitive system eventually create a dramatically unanticipated set of constraints and conditions. There is no remedy for this condition. But, continued flexibility and readiness to restructure as circumstance requires will be well rewarded.

² There are a multitude of reasons why, as well as countless opposing arguments. Suffice it to say this is an exemplar, and that its point ought to be clear.

Third, for a number of reasons including those above, a course of action can become path dependent, locked in on an apparently pre-determined outcome. We've all felt the torment or elation of a sequence of events that seems to have a life of its own, when there seems to be no way out. Path dependent failure occurs when one day the goal can't be reached because the circumstances have slowly but inexorably changed. Of course, path dependence is neither transparent nor predictable at the outset; one can only hope to create positive path dependence.

My suspicion is that the second and third-order effects of structural choices are inadequately accounted for in the complex organizational systems we create. So we often get trapped by the non-linearity of the causal chain into selecting and creating doomed initial structures that ultimately generate undesired effects.

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