William Tate believes that individual competence is important but not sufficient to make organisations successful. He argues that only systemic thinking can ensure that the organisational whole is greater than the sum of its parts.

The belief that organisations are successful because their individual managers are successful holds a powerful attraction for companies. Their vast expenditure on individual-based leadership development programmes evidences their faith in the trickle-up theory. But that assumed cause-and-effect link was demolished by Enron’s collapse in 2001: high talent in wasn’t matched by what came out.

Seven years later the banking system failure exposed a lack of leadership; yet lack of skills was not to blame: something more powerful — something in the system — was at work. If an individual executive’s leadership doesn’t hold the key to an organisation’s success and effectiveness, what does? The answer holds important implications, both for the task facing leaders in organisations and for how leadership itself needs to manage its own improvement and development.

Systemic failures provide the most severe test of leadership models. The discipline of systems thinking underpins a new response to such challenges — systemic leadership.

When asked the basic unit of music, most people respond “the note”; but they are incorrect. The correct answer is ‘the interval’, the space between the notes. Exploring what lies at the heart of a note (its pitch, tone and so on) is important but doesn’t take us very far. It is what is going on around and between notes that makes music. The same holds true for the soloist: competence is necessary but not sufficient. It is what surrounds individual players that delivers the performance.

What is true of music is true
of organisations. Concentrating development on the individual doesn’t take the organisation very far. It is what is going on around and between individuals that makes music for the organisation. Most people look in the wrong place for improved leadership performance; they are overly absorbed with the parts and neglectful of the whole.

The infectious cult of the individual
In Western culture, the individual lies at the heart of the popular conception of organisations. The individual is taken to be the key unit most deserving of attention when seeking to raise effectiveness and productivity, whatever the level — job, company, sector or nation. This assumption has long been taken for granted in business and national planning; in fact, the human resources edifice is largely built on this hypothesis. Focusing on the individual permeates goal setting and targets, training and development, coaching, performance reviews, accountability, and incentives and rewards.

There are good reasons why this has happened. Ultimately, it is an attractive individual who is recruited into employment, promoted, paid and who leaves or retires. These individuals have the power and are needed to act. But is this reason enough for laying so much responsibility, pinning so much faith, and spending such disproportionate sums on individuals and their development to the relative neglect of what surrounds them? After all, an organisation’s products and services are delivered to customers and markets not by individuals, but by systems.

Conventional wisdom says that we live in an ‘individual economy’, that businesses and the economy succeed when individuals succeed. Political reforms in the 1980s against collectivist identity helped push the UK further down the road toward the primacy of the individual as the basic unit of growth, ownership, productivity and decisions. But, however appealing the message for many, organisationally, the individualistic path takes us to a dead end. In the specific field of leadership development — on which companies spend millions of pounds per annum — if the traditional formula is correct and trickle-up really works, then why aren’t businesses better led?

Integrating individual contributions
Recently, many highly regarded banks collapsed in spite of having hundreds of talented bankers. What failed was the glue that binds talented leaders to one another, to the purpose of the business, to goals other than financial, to the full range of stakeholders in society, to the long-term future and to needed improvement. This reality challenges the conventional view of leadership, what it means organisationally and how to get it. It suggests a systemic model of leadership is needed — beyond the individual, beyond collective groups and teams, to the organisational system. Under this argument we live in an ‘organisational economy’. The economy succeeds because organisations succeed, by which we mean they succeed as integrated systems.

Some people have difficulty with this idea. Managers have been trained to notice individuals, be suspicious of collectives and not see the system. For many managers, the system is a blind spot in their education, vocabulary and way of seeing things. Performance management suffers for this reason. Many of those who
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appear to acknowledge the existence of the system prefer to put their faith in individual human agency: “The system is created by leaders,” they say. “If it’s broken, those individuals can change it. If they fail to act, it’s because they’re bad leaders and have made bad choices. Moral failure comes from bad leaders, who need to be replaced. Don’t point the finger at the system.” If that doesn’t work, they argue, “Build a critical mass of individuals” (another superficially attractive idea). In the BBC’s leadership development programme, managers are told, “You are the organisation; if it needs changing, it’s up to you to change it.” But one doesn’t need to look far beyond the headlines to find broken systems that are strongly resistant to this individualistic solution.

The old strategy of relying on strong and wise leaders doesn’t work with today’s complex adaptive systems. There are few wise and heroic leaders who can overcome the resistance of a system that closes ranks to protect the status quo. Think of the child protection system in the London borough of Haringey that allowed Baby Peter to die at the hands of his mother, her partner and her partner’s brother. This story attracted widespread attention, but it followed countless other similar cases. Haringey’s individual leaders had good personal records and were trying their best; yet, the system still failed — and it failed to learn.

When things go wrong, naively optimistic and politically minded leaders (especially government ministers) blame a few bad apples. “It’s only one council’s child protection service, just one isolated hospital,” they claim. Lessons from this mishap or tragedy will be learned by the leaders in charge, we are assured — unfortunately, they always seem to need re-learning. These leaders can’t and don’t see the system, don’t understand it and don’t know how to respond to it. Accountability is diffused and problematical. Systems take time and patience to fix; yet, far too often, we find not patience but instead a call for retraining (and even the removal) of leaders. The public needs some scapegoats, so quick action is expected and taken.

Inside the fish tank
Systems thinkers invite us to recognise the power of the system, one of which surrounds each of us in the workplace. At its best, the system blocks our path to exercising leadership with excessive bureaucracy or makes it difficult to see clearly what the organisation needs. At worst, it is dangerous and inhibiting; it makes us stressed and fearful. So, the call is for managers to think, manage and lead systemically: observe and focus on the way the leadership process works rather than how individual leaders work. This means leaders must get a firm grasp on the leadership culture (‘how leadership works around here’): its ethos, the effect of the hierarchy on leadership, the power distribution, the amount of discretion managers have, what happens when they take risks, who is allowed to talk to whom, how long leaders remain in their posts, policies affecting promotion and rewards, and processes by which leadership is held to account.

One can think of the nature of a workplace by using the analogy of a
fish tank. People look at businesses to see what sort of leaders are in them. They see the fish, especially the big and powerful ones, and don’t take much notice of the water, what managers have to swim in. But every manager’s environment is full of toxins. The waters contain unseen (but strongly felt) undercurrents that surround them when they try to lead. The result is frequently a collapse of overstressed fish and, in extreme circumstances, of the tank as a whole (systemic failure).

In this murky environment, managers are expected to exercise leadership. It is also their job to clean the tank for others. Unhelpfully, the toxins may come from above. Unable to see the tank for what it is and not knowing how to set about cleaning it, some flounder in the shallows and do what is easiest: they seek out and lean on the small fry. When not bearing down on them, they take them out, tell them to smarten up, make them look good with a little training, offer them a bonus for good performance and then plop them back into the same murky water, the same unchanged system.

This analogy invites the question: “If we want to improve the organisation, should we be looking at the fish or should we be looking at the fish tank?” Many of the system elements and features are as intended and designed; they comprise the legitimate or official system. Other aspects are unintended, including unwritten rules, politics, the grapevine, friendships and all the other hard-to-identify components of the organisational culture; they comprise the informal or shadow system. Both the official/formal system and the unofficial/shadow system have positive and negative effects on the fish. Both systems can be supportive or both can make the environment toxic and inhibit the free exercise of honourable, transparent and energetic leadership. And here’s what must never be forgotten or overlooked: the system’s combined effect on permitting or frustrating leadership is more powerful than any individual manager’s skills, behaviours or personality.

A catalogue of systemic failures
Take, as an example, the scandal of the claims for expenses and allowances by Members of Parliament in the UK, news of which broke in May 2009. Non-systemicists (the majority of people I encounter) claim that many MPs called on the carpet were merely greedy and thus failed in the public’s eye as leaders. Of course, each MP bears some responsibility for the expenses system’s collapse; but the full roster of MPs, taken collectively, are a product of the parliamentary system that surrounds them. Recent research supports this, revealing the powerful effect of social influences (relational and environmental) on the decisions of individuals, including MPs; the system (built by Parliament over time) shaped their behaviour today. If they failed the Parliamentary employment system, then that system failed them, too.

To find a sustainable solution to a problem such as MPs’ expenses requires an understanding of the dynamics in the system. What grievances exist about politically restricted past pay increases? What is the so-called ‘tea room chain effect’ that occurs when one outlandish claim rapidly leads to a flurry of similar claims? What should we make of the errant personal examples set by those who should have known better? What is the status of the Fees Office and the nature of MPs’ power relationships with it? How does the Fees Office get rid of its unexpected budget surplus at the end of the year? And, yes, what are the published rules, the ones that should have been well-known and stringently followed? When one looks at the total system, the problem goes beyond any one MP or any collection of MPs; it’s a mélange of people, history, culture, rules and processes.

At influence are a mix of rational elements (for example, the rules) and non-rational ones (for example, the tea room effect). An understanding and acceptance of both sets of forces is needed. As you begin to assemble a picture, you start to generate ideas about some levers in these systems that are amenable to being pulled on to bring about improvement and change. The deeper one digs, the less the problem appears to be one of individual morality and personal leadership — and the less likely the solutions are to be found by attempting to elect more honest MPs.

We are a society of systems. Consider an array of headline stories, all of which are current and all of which demand that the search for ‘the problem’ and any solutions go beyond defective individuals. Consider the Metropolitan Police’s fatal shooting of Jean Charles de Menezes at Stockwell Underground station in 2005. Or the loss of £30 million in failed Icelandic banks in spite of councils being instructed to steer clear of them. Consider extreme patient negligence in Stafford Hospital. Consider the collapse of Northern Rock and the other banks. In all these cases, it is tempting to search for individual failed leaders. But that would be the wrong place to look — either for serious understanding and learning or for improved performance and sustainable leadership. These were all instances of systemic failure and systemic leadership failure. Where individuals failed the system, the system failed the individuals as well. The relationship is symbiotic. The dirty water that the system provided led appropriately.
A picture of systemic leadership

The challenge at the heart of systemic leadership can be phrased as a question: How can an organisation best understand, expand, release, promote, improve and apply leadership capability suited to its needs? The advice that flows from this is founded on the principle that leadership is a property of the organisation. It is one of its chief resources. As such, like any resource that needs optimising, leadership needs managing — however oxymoronic that may sound. So what do the cornerstones of such an approach look like?

- **Recognise that the organisation holds most of the cards in remedying performance shortfalls.** Every organisation suffers to the extent of its own dysfunction and, thus, has its own improvement needs. The organisation is the proper target for systemic improvement. The organisation should no longer be seen as an empty vessel into which leadership talent and solutions may be poured. While individual training may help managers’ careers, it won’t cure organisational ills.

- **Don’t rely on building a critical mass of trained managers.** Some believe that a loose confederation of individual managers will, over time, favour change and who, in some unspecified way acting together, will rescue the organisation from itself, overwhelming those who favour the status quo. Such a belief is without foundation. A large volume of trained managers cannot comprise a meaningful body to achieve something by sheer weight of numbers alone. They don’t meet formally, don’t know each other, don’t share the same aims, normally compete against each other, lack a unifying structure, have no collective authority, lack a practical means of having their collective behaviour performance managed and have no means of being held to account. In short, the mass of managers doesn’t comprise a group. In addition, over the duration of a major corporate leadership programme (some programmes last for several years!) the organisation that managers are being invited to change will have continued to change anyway, with new bosses, new structures, new managers.
in new jobs. The organisation is a moving target for those seeking change. A critical mass of managers is no doubt preferable to a few managers attempting to act alone — the numbers resisting change may be fewer, and that will be a positive factor. But the managers are unlikely to be able to get their act together sufficiently to achieve change.

- **Balance supply-push interests with demand-pull ones.** Succumbing to the blandishments of personal or organisational development providers constitutes a one-sided, supply-push strategy. Whenever a leader mandates that people have to enrol in a course of development, the need for improvement is pushed downward without a corresponding pull by the organisation. In order to better balance supply with demand, and to put the organisation in charge, the organisation needs to be clear about its needs. These are not needs for individuals to be trained, but for its system to be improved in order to enable appropriate leadership to flourish.

- **Plug the gaps and fill the spaces.** Things escape down gaps, including leadership and its potential. Communication, trust and dialogue all fall victim to gaps. Waste finds its home in gaps. Self-serving functional silos are a prime example: most of an organisation's ailments are found either in dysfunctional, neglected and poorly managed gaps or in a failure to take advantage of spaces. Remember the significance of the interval in music, the space between notes; spaces are healthy, vital, and they contain opportunities. Partnerships thrive where the space is alive with energy, goodwill, trust, respect, common purpose and conversation. Spaces hold opportunities for synergy and for building social capital, for deciding plans and agreeing improvement action. Spaces are where individuals and functions come together in cooperation. Whereas individuals may be creative, innovation takes place in spaces. Whereas individuals may be competent, sparks are generated between them.

- **Distribute leadership.** Narrow and exclusive cadres of leaders at senior levels need to let go and accept the principle and benefits of distributing leadership widely through the hierarchy. Those who are closest to the reality of how the organisation works or fails, as a system, need permission to have a role in improving it. This takes managers beyond their narrow everyday job and gives them a corporate role.

- **Focus performance management and appraisal discussion on the system more than on the individual performer.** Managers need to be challenged on the local system for which they hold responsibility and on their ideas for improving the wider system. For a group of managers within a business unit, distinguish between each manager's leadership performance and the performance of the managers as a leadership group. Managers have a dual responsibility: a management role to deliver today (within the system as it is) and a second role to safeguard tomorrow (by challenging and improving the system, which calls for leadership).

- **Manage accountability.** There is usually a wide gulf between talk about the importance of accountability and practical mechanisms for managing it. Develop a clear accountability framework to help manage leadership as a process. Create expectations among managers that this will be rigorously applied to leverage improvement. Clarify where responsibility lies to ensure that a proper accountability structure is in place and is being followed. Above all, clarify where responsibility lies for monitoring and advising on the health, design, functioning and improvement of the organisation from a systemic standpoint.

All of which leads to the moral of this story (as one book reviewer put it): “Stop polishing the fish and tackle the water they swim in.”