The Organisation as an Open System

Organisations are an open system. They influence and are influenced by the environment in which they operate. This leads to a state of dynamic (changing) equilibrium between the organisation and its environment.

Information about the balance between the two systems is called feedback.

The relative health of an organisation is dependant on being able to match its pace of change in line with the rate of change with its environment.

(See Organisational orientation to change model below)

There can be dangers to an organisation if it reacts too slowly or too quickly to change. For example an organisation under huge external pressure to change may almost go into melt down and have change initiative after change initiative but not allow any of these to bed in and take effect.

Work we did with a multinational insurance company reflected this where we saw its HR department under extreme pressure to improve its performance go through 5 major structural reorganisations within 18 months.

Characteristics of Open Systems
- They are made up of interrelated parts - subsystems
- The system is a whole and its performance needs to be looked at as an interrelated system. This is where silo mentality can often cause a problem to organisational performance when individuals align more to the performance of their department than to the performance of the organisation as a whole.
- All systems transform inputs into outputs. They receive feedback from the operating environment and then react to this
- Open systems have a goal around which it seeks to organise itself
- Entropy - Unless maintained systems will eventually fall apart as it takes energy and resources to hold its form.
- Systems seek a state of dynamic equilibrium
- Feedback gives information about the state of dynamic equilibrium - e.g. sales falling because a company hasn’t invested enough in new product lines
Organisational orientation to change

‘It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change’

Charles Darwin
Sluggish Thermostat Management
• Low risk management
• Formalised procedures
• High levels of structure and control (centralised)
• Slowness to adapt comes from success – ‘If its not broke...’ ‘Why should things change?’
• Analogy of the boiling frog. The danger comes when we become desensitised to significant but gradual change e.g. global warming

‘Getting by’ Management
• Stable environments tend to lead to formalised structures and processes
• Attitude to change is to do enough to get by
• Low pressure for change often leads to low levels of innovation and risk
• Will keep pace with the field rather than lead it

Reactive Management
• Crisis management
• Reacting to major change after it has happened
• Operating behind the change curve in catch up mode

Renewing/Transformational Management
• Organisations that take advantage of changing markets
• Market leaders through adapting to the change quickest
• Champion innovation
• Very sensitive to market changes
• Participative in getting individual commitment to the change process
**Covey Circles**

Another way of looking at the subsystems within an organisation is to think of individual, group and organisational systems.

An individual is a defined system integrating with its environment within the group/work setting, the team or group is a defined system operating within the department or organisation and there are organisational wide systems.

Within each part of a functional organisation runs a common strand of ‘DNA’. This DNA is made up of goals, ways of working and values and beliefs (see below). The DNA concept is like a Russian doll, at whatever level you cut the organisation you would want to see commonality across the three parts of the DNA strand i.e. individuals, groups and the organisation all have a shared goal and purpose, there are common values and beliefs and there is agreement in how goals can be achieved.

The greater the commonality across all organisational systems the more effective and efficient it will be. Interventions need to be made at all levels to bring about organisational change and whole system alignment.
These elements are present within each organisational entity e.g. the organisation as a whole, teams, departments, groups and individuals. Together they combine to create organisational identity and culture.

Note: At an individual level culture might better be described as personality.