



Briefings

Symptoms of the Dysfunctional Organization

Introduction

This is the era of organizational thrashing. Business results are falling short while executive pay and bonuses are increasing. Strategies are executed in fits and starts. Single companies are merging, holding companies are divesting. When businesses are acquired, excess resources are shed and then the business is sold off at a loss. New employees are hired months after an expensive layoff. Progress is no more lasting than the previous quarter's budget or profit numbers.

What makes one organization a success and another a failure in this chaotic business environment?

CooperComm is in its third decade of helping organizations to develop their people and to achieve desired business results. In interacting with hundreds of organizations – public and private, large and small, growing and fighting for survival – we have identified common characteristics of organizations that are in trouble. These indicators of dysfunction can be used to identify areas where the organization can be improved.

NOTE: Although this paper addresses workplace issues, our research has shown that the dysfunction indicators are also useful in other “organizations” such as the family, church, community groups and so on. Lessons from the workplace can readily be applied in these other areas.

In interacting with hundreds of organizations ... we have identified common characteristics of organizations that are in trouble. These indicators of dysfunction can be used to identify areas where the organization can be

1. Constant Crisis

In the early days before personal computing, organizations had “word processing centers” responsible for churning out the paperwork that keeps an organization running. There were supposedly two classes of work going through the center, normal work with a two-day turnaround and “rush” work that had to be completed ASAP.

It became a quick indicator of how well an organization was run to merely ask the Center Manager, “What percentage of your work comes in as a ‘rush’ job?” In many workgroups, it hovered around 20 percent, but in some it ran as high as 80 percent.

In today’s harried business climate, running on accelerated “internet time,” many organizations have settled into a permanent crisis mode. Management is continually unhappy with performance, everything is always over budget, all projects need to be done faster and cheaper, people’s jobs are constantly in jeopardy, etc.

Stress management experts tell us that, to stay healthy, for every period of stress, there must be an equal period of “Whew!” to break the pressure. The predictable consequences of unremitting stress are: (1) people try harder as long as they can, (2) people burn out or break down and (3) people ultimately give up. A fear-driven, unhappy, pressured, can’t-win environment generates employees who check their brains at the door.

The problem is a total lack of *balance*. Organizations cannot survive in a continuous crisis mode. Management must either provide breaks in the crisis or else develop established processes for handling day-to-day requirements without merely applying more pressure to workers.

2. Organizational Insanity

Bill Walsh, coach of the Superbowl Champion 49ers, had an interesting definition:

“Insanity is doing the same thing over and over ...
and expecting a different result.”

Many organizations are locked into this form of insanity. The motto seems to be, “If it doesn’t work, don’t fix it.” No matter how many business gurus urge managers to encourage change, produce paradigm shifts, pursue the Wow! or get a creative whack on the side of the head, things stay the same.

This stay-the-course approach is like the New England farmer who had won the lottery. When asked what he was going to do with the money he responded, “I’m goin’ to keep on fahmin’ until it’s all gone.”

Leaders must quit worrying about leading edge concepts such as, “If it ain’t broke, break it.” It’s hard enough for most organizations to address what *is* wrong and to fix it.

Many organizations are locked into this form of insanity. The motto seems to be, “If it doesn’t work, don’t fix it.”

3. Pluralistic Ignorance

It's amazing in dysfunctional organizations how many people just "don't get it." Using a teenage term popularized in the movie of the same name, they are 'clueless.' In many organizations nearly everyone is clueless, i.e., pluralistic ignorance.

Speaker Joel Barker, popularizer of the term "paradigm," quotes research by Thomas Kuhn that showed scientists were physically unable to perceive data that didn't agree with their preestablished ideas. Managers and workers encounter similar difficulties.

Effective organizations are open to reality. As a banker who specialized in helping companies work through loan defaults said, "No matter how bad it looks, it's always worse." He was an expert at getting clients to pay attention to the facts and draw rational conclusions from them. His job was to make certain executives "got it."

4. Relative Success

It's easy for managers to fool themselves by comparing their operations to other, more dysfunctional organizations. "You think *we're* bad, you ought to be working for Crack-the-Whip Enterprises." They make the mistake of looking at relative success rather than *absolute* success.

Teenagers have a wonderful term for this self-deception: "We suck less." Being less bad is not good. Teens recognize, rightfully, that being better off than terrible is still fairly terrible.

Dysfunctional organizations look externally with a sense of accomplishment, "We're losing less money than anyone in our industry" and ignore the fact that investors can find numerous opportunities in other industries that are actually making money. Or they compare themselves to their former internal condition, "We're better than we used to be – at least we're moving in the right direction" even though the internal work environment is thoroughly demotivating.

The problem is a lack of absolute standards. Measures such as specific business results and trends, internal process efficiencies, employee and customer satisfaction, and strategic goals and plans are not used.

5. Sub-Optimizing

In his seminars on reengineering, author Michael Hammer talks about the problems of sub-optimization of processes. Common wisdom says that "the sum of the parts is greater than the whole." Sub-optimization suggests that the sum of the parts is *less than* the whole. In many organizations, there is a fundamental assumption that if each department is maximizing its effectiveness (sub-optimizing), then the organization as a whole is optimized.

Effective organizations are open to reality. As a banker who specialized in helping companies work through loan defaults said, "No matter how bad it looks, it's always worse."

This explains how management can cut the IS technical support budget and believe there has been a savings. What actually occurs is that end user technical support needs don't disappear, they are now addressed out in user departments by (more highly paid) professionals helping their co-workers. Although the IS budget has been reduced, overall organizational support costs actually increase. But they are now hidden throughout everyone else's budgets.

Seamen have a saying about problems that is related to sub-optimization, "Not on my watch." In dysfunctional organizations, everyone is worried about his or her own "watch" to the overall detriment of the organization.

6. Indirect Causes

An early warning sign is when the sentences in a conversation shift to passive verbs – particularly when talking about problems. Someone will say, "Sales are down." While this may be true, the passive nature of the sentence omits any causal information. It's as if "sales" have an independent life of their own.

In TQM, finding the "root cause" is a critical step in understanding defects and in improving processes. Passive verb sentences need to be replaced by active ones such as, "The sales force is not meeting quota" or "Manufacturing is sending out too many DOA products." There has to be a *who* and *what* in there somewhere in order to understand responsibility.

In too many organizations, "things happen" rather than "people and processes produce results." The indirect cause attitude suggests that events are beyond anyone's control. The root cause approach means people skills and process designs can be improved to address the issues.

7. OK Sorry's

There is a big shift in moving from the World of Kids to the World of Adults. If you swing a bat in a crowd of kids and plunk someone, you're off the hook with a sincere, "I'm sorry." Run a red light and plow into another car, and being sorry for the resulting injuries isn't enough.

Dysfunctional organizations can get locked into a "Sorry is OK" mentality. This is not to suggest that being sorry for mistakes is wrong, or that blame is even a primary concern. But there are a myriad of actions for which it is not acceptable to be sorry.

One example is sexual harassment. Courts had established the "should have known" principle that some behaviors are so obviously out of line, some situations so clearly inappropriate, that managers should have known better. Contrition and remediation after the fact isn't sufficient.

Dysfunctional organizations have a high tolerance for failure, as long as the attitude is right and "lessons have been learned."

Successful organizations realize that the higher you get in an organization,

Seamen have a saying about problems that is related to sub-optimization, "Not on my watch." In dysfunctional organizations, everyone is worried about his or her own "watch" to the overall detriment of the organization.

the fewer lessons should be learned. Executives are expected to bring with them certain experiences and skills to perform at a high level. Individuals who don't possess these capabilities are probably not in the right position.

8. Segmented Morals

A small business owner once remarked wryly, "Honesty as a policy only applies to the first \$10,000. After that, the phrase is 'good business.'"

Dysfunctional organizations are infected with a morality of *selective absolutes*. The stated values and actual behaviors, usually self-serving, are often in direct conflict with each other. This situational ethics approach to organizational values generates a conflicting set of behavioral guidelines that destroy management's credibility.

For example, "Employees are our greatest resource, and that's why we're lowering their medical benefits and laying off about 10 percent of them due to a new outsourcing arrangement." Or, "Honesty and integrity are our greatest strengths, but we're renegeing on our building agreement with the city unless it can come up with bigger tax abatements."

Healthy organizations have a set of values and a behavioral culture that is consistent. The "do as I say" and "do as I do" formal and informal messages are in agreement.

9. Multi-Class Society

Many organizations are heavily segmented by class. The signs are everywhere: executive stock bonuses, golden parachutes, executive dining room, executive health club, country club membership, chauffeurs, special parking, and so on. In the interests of "executive productivity," employees are quickly shown who is important and who is not.

In other organizations, even very large ones, the company President can be seen lugging his plastic tray at lunch in the company cafeteria. Executives park out with everyone else. Everyone is on a first-name basis. While there are obvious organizational differences in title, pay and power, the overall impression is one of a class-free society and culture.

Remember the lesson of Sam Walton. He made billions using near-minimum wage workers, helping to destroy their local economy and taking its former profits out of town. Yet these same employees loved him because he (1) dressed casually, (2) treated everyone as an important person, and (3) drove an old pickup truck.

10. Broken Behavior-Consequence Chain

According to the best motivational speakers, the path to success is simple. Believe in yourself, work hard and well, and you will succeed. Conversely,

lack confidence, do less than your best and lower than maximum effort,

A small business owner once remarked wryly, "Honesty as a policy only applies to the first \$10,000. After that, the phrase is 'good business.'"

and you will fall back.

Today cynics say, “Work hard and keep your nose to the grindstone, and you’ll end up with a short nose.” The Peter Principle states that people move up until they’re incompetent and then stay there. In government, the joke is, “Screw up and move up.” The worst mistake is to become invaluable. Bestsellers tout “winning through intimidation” and leveraging secrets of everyone from Machiavelli to Star Trek’s Captain Picard. Groups are “on the road to Abilene” despite everyone agreeing that they don’t want to go there.

The problem is the one-joke premise of Scott Adams’ *Dilbert* cartoon. Workplace behaviors don’t generate the expected consequence. (The proof is, despite all the idiocies, Dilbert’s company is still in business.)

In functional organizations, there is a rational action-reward system in operation. People are incited to achieve because there is a commensurate payoff to be gained.

Summary: Slaves to the Process

A common theme through these symptoms of dysfunction is one of continuing the status quo. Organizations, large or small, follow Newton’s Law of Momentum paraphrased here: “A body in motion tends to stay in motion and tends to continue in the same direction.”

To be effective, leaders must first take an outside view of the organization. The ten symptoms above are helpful in recognizing and communicating what is happening. They provide, with succinct phrases, a terminology that can be used to discuss problems. They provide a first step in analyzing why something is not working, and provide a basic approach for remediation.

If these are the symptoms of dysfunctional organizations, then there is one symptom of a functional organization. The latter never tolerates dysfunction. The alternative is “organizational insanity.”

To be effective, leaders must first take an outside view of the organization. The ten symptoms above are helpful in recognizing and communicating what is happening. Today cynics say, “Work hard and keep your nose to the grindstone, and you’ll end up with a short nose.”

Information in this report was obtained from sources ej4 believes to be reliable. ej4 disclaims any and all warranties as to the reliability, accuracy and adequacy of such information and ej4 shall have no liability for the inclusion or exclusion of information. ej4 may, without notice, change expressed opinions. Use of this report to achieve desired results is the sole responsibility of the reader.

All rights reserved. This publication may not be reproduced in any form without the prior written permission of ej4 LLC.