Your Key to Successful Strategic Management

HAINES CENTRE for STRATEGIC MANAGEMENT
World Leaders in Strategic Management
PART 6: THE LAW OF UNINTENDED CONSEQUENCES

The RUBIK’S CUBE EFFECT OF LIFE

BY STEVE HAINES AND STEPHEN LIN

Founded in 1990 • Offices in over 20 Countries
“We Are The World Leaders in Strategic Management
Powered by Systems Thinking”

Planning—People—Leadership—Change
To
Deliver Customer Value

Haines Centre’s Five Integrated Lines of Business:

www.HainesCentre.com


WHO IS STEPHEN LIN?

STEPHEN LIN
Regional Partner—ASIA—Singapore

Master Facilitator for ASIA
PSC Scholar
22 Years Experience
Specialized in

- **Strategic Planning**
  - Facilitate “Live” Planning
  - Train Senior Managers

- **Change Management**
  - Facilitate Change Efforts
  - Train Senior Managers

- **Leadership & Innovation**
  - Train Innovation Teams and Leaders
WHO IS STEVE HAINES?

STEVE HAINES
Founder & CEO:

- Haines Centre for Strategic Management®
- Systems Thinking Press®

Founded in 1990—38 Offices—20 Countries

STEVE
is a:

- “CEO—Entrepreneur—Global Strategist”
  and
- “A Facilitator—Systems Thinker—Prolific Author”
  (of 14+ books)

- A graduate of the US NAVAL ACADEMY’s
  Legendary Leadership Class of 1968
Problems that are created by our current level of thinking can't be solved by that same level of thinking.

—Albert Einstein

So ...if we generally use analytical thinking, we now need real “Systems Thinking” to resolve our issues.

—Stephen G. Haines
GET A HIGHER AND BROADER PERSPECTIVE

Take a Helicopter View of Life!
SESSION #1:
SHIFTING VIEW OF THE WORLD

WORLD HISTORY THROUGH THE AGES: A NEW COPERNICUS SHIFT

HUNT---AGRICULTURAL---INDUSTRIAL---INFORMATION---SYSTEMS
The Science of Living Systems

“The natural way the world works”

Backed by 50+ Years of Scientific Research
FIVE MAIN CONCEPTS OF THE SCIENCE OF SYSTEMS THINKING

CONCEPT #1: SEVEN LEVELS OF LIVING/OPEN SYSTEMS (Day Two)

CONCEPT #2: 12 NATURAL LAWS OF LIVING SYSTEMS/EARTH (Day One)

CONCEPT #3: THE A-B-C-D-E SYSTEMS MODEL (Day One)

CONCEPT #4: THE NATURAL CYCLES OF CHANGE IN LIFE (Right now) -----

CONCEPT #5: THE LAW OF UNINTENDED CONSEQUENCES
SESSION #2: SIMPLICITY OF SYSTEMS THINKING

A Holistic, Integrated, Organizing Framework
STRATEGIC THINKING – ABCs TEMPLATE

“Clarify and Simplify Your Thinking” – About your Project

Future Environmental Scan:
What will be changing in your future environment that will affect us?

System Throughput/Processes:
How do we get there (close the gap from Current State to Desired State)?

Feedback Loop/Key Success Measurements:
How will we know when we get there?

Desired Outcomes:
#1 System Question: Where do we want to be?

Outputs/Outcomes:
Future Environmental Scan: What will be changing in your future environment that will affect us?

Future Date

Current State Assessment:
Where are you now?

TOP PRIORITY ACTIONS:

CORE STRATEGIES:

Inputs (SWOT):

Strengths
Weaknesses
Opportunities
Threats

Today’s Date

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SESSION #3

The
Top 10
EVERYDAY
Tools
For Daily
Strategic
Thinking
SESSION #4: SIX STAGES--
THE ROLLERCOASTER OF CHANGE

#1 – Smart start

#2 – Shock/Denial

#3 Anger/ Depression
Acknowledge Thru:
Listening
Empathizing
Explaining Why?

#4 – Persevere/ Hang In

Perseverance: Key To Strategic Change

#5 Hope/Readjustment:
Thru
• Involvement
• Participation in the new Vision
• Showing WIIFM

#6 Rebuilding

The Rollercoaster is “Natural, Normal and Highly Predictable”
SESSION #5: ENHANCED PROBLEM-SOLVING

SYSTEMS SOLUTIONS ARE CIRCULAR..."
...they achieve desired future outcomes
...they fit within their dynamic future environment
...they don't just solve today's problems
...and they are more likely to stay solved

"For Disciplined Innovation"
The Top 10 Everyday Tools For Daily Problem-Solving

HANDBOOK #1 WILL BE USED HERE
SESSION #6: UNINTENDED CONSEQUENCES

“Understand the consequences Not Unintended consequences”

ARE THE UNINTENDED CONSEQUENCES A MALICIOUS INTENT—PROBABLY NOT?

SO WHAT TO DO DIFFERENTLY?
OUR COMPLEX WORLD TODAY!
“Thought,” said IBM’s founder, Thomas J. Watson, Sr., “has been the father of every advance since time began.”

The one-word slogan “THINK” has appeared in offices and plants throughout the company since the early 1900s.
The way you think creates the results you get.

The most powerful way to impact the quality of your results is to improve the ways you think.
21

THINK—PLAN—ACT—RESULTS

How you think
Is how you plan
Is how you act
And that
Determines the results you get in work and life
COMPLEXITY –
THE RUBIKS CUBE EFFECT

"The Organization as a System"

How to Start Moving:
From: Chaos & Complexity
To: Elegant Simplicity
SYSTEMS and ANALYTIC THINKING
– Three Steps –

Work **ON** the Enterprise First

OUTSIDE
(Plan)

INSIDE
(Do)

OUTSIDE
(Check)

1. **Helicopter View**
   - Clarity Of Purpose

2. **Work IN the Enterprise**

3. **Link to Deliverables And Outcomes**

1. Work **ON** the Enterprise
2. Work **IN** the Enterprise
3. Check **ON** the Enterprise
THE LAW OF UNINTENDED CONSEQUENCES

CONCEPT #5: The Common “Systemic Consequences” and Rubik’s Cube Effect – Classic Patterns of Relationships

Systems Thinking...is Finding Patterns and Relationships, and Learning to Reinforce or Change These Patterns to Fulfill Your Vision and Mission.
**Systems Thinking Concept #5**  
The Law of Unintended Consequences  

*The Common “Systemic Consequences” and Rubik’s Cube Effect – Classic Patterns of Relationships*  

**E: Environment Issues**  

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>1. The Wrong System</td>
<td>Clarity of the system you are working with to change in the global environment is often unclear or too grandiose. Focusing on the wrong system or having different people involved focusing on other systems will result in failures for all.</td>
<td>There are Seven Natural Living Systems in this world and clarity of which is your focus is the #1 issue before you start anything else. Start with the wrong system and you have failed before you have begun.</td>
</tr>
<tr>
<td>2. Helicopter Level Missing</td>
<td>Lack of seeing the big picture, the future environmental scan or desired outcomes will guarantee failure.</td>
<td>Often we see lots of activities without real results.</td>
</tr>
<tr>
<td><strong>3. Accidental Adversaries</strong>*</td>
<td>Two entities want to cooperate but see the other as a competitor for resources, results and prestige in their marketplace.</td>
<td>Sometimes two employees will not work together – silos and lack of communication are the result.</td>
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<tr>
<td><strong>4. Ostrich View</strong></td>
<td>We live in a dynamically changing global world today where consideration of today’s and future environmental trends is key to success in almost anything. The “head in the sand” avoidance approach fails.</td>
<td>Success can breed over confidence and future failures as we forget that times have changed and there is no guarantee of future success.</td>
</tr>
<tr>
<td><strong>5. Mis-Positioning</strong></td>
<td>Positioning of any organization, business unit or major staff group properly is a PhD in strategy. Most have no positioning, are mis-positioned in the marketplace, or try to be all things to all people.</td>
<td>Without a clear understanding of this concept and clarifying/protecting it for your group is to limit your success in the marketplace and increase your failure potential.</td>
</tr>
</tbody>
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### Systems Thinking Concept #5
#### The Law of Unintended Consequences

The Common “Systemic Consequences” and Rubik’s Cube Effect – Classic Patterns of Relationships

#### A: Outcome Issues

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<td>6. Multiple Goals Missing</td>
<td>A set of multiple goals is the reality in all situations but is ignored by many who have a focus on only their own goals and not those of others – this is <em>The Natural Way the World Works</em>.</td>
<td>Managers need to search harder for the “desired outcomes” of all parties/key stakeholders to the solution before moving to action too quickly.</td>
</tr>
<tr>
<td>7. Drifting Goals*</td>
<td>Clarity and focus are often missing, with desired performance levels gradually falling as everyone can make their personal goals relate to some of the drifting goals instead of focusing on the overall desired outcomes.</td>
<td>Many units fail to do goal setting with the resulting lack of focus consequences.</td>
</tr>
</tbody>
</table>
### Resistance to Change - WIIFM

When employees do not know “what is in it for me” (WIIFM) they naturally resist change for logical reasons.

When managers see change being resisted, they often fail to realize it is legitimate.

### Escalation Cycles (Virtuous Cycles*)

Performance and results can get better and better with the required supporting environment, skills and infrastructure in place.

It is amazing what a difference leadership can make on an ongoing basis by providing the proper infrastructures and skills.

### Worse Before Better - STOP

The Rollercoaster of Change is “natural, normal and highly predictable” – it also shows you that things generally get worse before they get better, causing us to stop the pain too soon, thus preventing success. Once started, like a rollercoaster, you cannot go backwards.

Kicking off a change process usually just produces shock/denial and depression/anger in others at first, so work through these legitimate feelings first if you want change to succeed.
# Systems Thinking Concept #5

## The Law of Unintended Consequences

*The Common “Systemic Consequences” and Rubik’s Cube Effect – Classic Patterns of Relationships*

## B: Feedback/Engagement Issues

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<td>11. The Entropic Effect</td>
<td>Everything runs down and dies over time; especially without booster shots.</td>
<td>“Buy-In” is easy compared to “Stay-In” over time for key stakeholders.</td>
</tr>
<tr>
<td>12. Low Feedback</td>
<td>Many people avoid feedback like it is the plague vs. seeing it as a Gift and a key contributor to excellence. “Skeptics are my best friend” is a superb value for leaders to adopt.</td>
<td>Employees often get fired or suspended and say this is the first they have heard of the issue. No prior feedback is often given by managers.</td>
</tr>
<tr>
<td>13. Doing It To Them</td>
<td>People Support What They Help Create is a basic truism of life that, when violated, usually results in resistance to change. People do not like change done TO THEM, but WITH THEM.</td>
<td>People know who makes the decisions – but they want input into decisions that affect them BEFORE the final decision is made. Ask people for feedback on your ideas, draft documents and proposed solutions before you finalize them.</td>
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<tr>
<td>14. Constant Pressure</td>
<td>Change takes a constant positive pressure for performance and follow up/feedback for employees not to fall back to their original set of habits and ruts.</td>
<td>Leaders cannot back off on the pressure for change without it failing. “People do what we inspect, not what we expect.”</td>
</tr>
</tbody>
</table>
### 15. Ineffective Meetings

We all complain about meetings – but rarely do anything to improve them except to tolerate them.

All meetings can be on a continuous improvement process by starting with clear goals (A) and ending with quick feedback (B) on results – three questions.

### 16. The Lillipond Effect

When you throw a stone in the water, there is a Ripple Effect – it is the same in organizations which leads to the Lillipond Effect where it takes a long time to get buy-in – i.e., see a pond fill up with a critical mass of lillipads – the same timeframe it takes to get ownership for change by key stakeholders.

A lillipad doubles each day with the result that, if it takes 30 days to fill a pond, it would take 29 days to fill half the pond – it takes a long time to see the change take place, just as in organizational change.
# Systems Thinking Concept #5
## The Law of Unintended Consequences

*The Common “Systemic Consequences” and Rubik’s Cube Effect – Classic Patterns of Relationships*

### C: Today/Stop the Music

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<td>17. Degeneration Cycles (Viscous Cycles*)</td>
<td>Many issues can get worse and worse if they are not resolved right away. They go from a “pinch” to a “crunch.”</td>
<td>Poor performance often becomes worse if feedback and corrections are not taken.</td>
</tr>
<tr>
<td>18. Artificial Either/Or Thinking</td>
<td>This is the standard analytical question requiring an analytical answer to a systems problem that positions the issue wrongly in X vs. Y thinking.</td>
<td>Many questions you are asked are better answered with “yes” or “both” if you look at the entire system. Watch out for technically trained professionals who are trained in this artificial either/or questioning.</td>
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</table>
19. Fragmentation and Silos

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<tr>
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<tr>
<td>The normal results of the way we do business in organizations of all types is a silo one – breaking things into small pieces to problem solve them without regard to the full overall systems impact.</td>
<td></td>
</tr>
<tr>
<td>Functional/vertical specialization is important in organizations but so is the horizontal integration that is often lacking. Trading off the strengths/weaknesses of each is the key to all process improvement initiatives.</td>
<td></td>
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</tbody>
</table>

20. Bureaucratic Boundaries

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<td>Bureaucrats usually strictly follow policies, requirements, boundaries and lack of heart over common sense.</td>
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<tr>
<td>The standard result in many organizations is that the bureaucrats are in control, costs go up and results go down.</td>
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<tr>
<td>21. Sequential and Linear Thinking</td>
<td>The world is a complex, dynamic and parallel one and yet we often think we can do things on a step-step basis. This has all kinds of unintended negative consequences.</td>
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<td>22. Steady State Kills</td>
<td>We all prefer routines and habits that make life easier. However, the changing and dynamic world we live in guarantees that failure to change the steady state will kill organizations and jobs over time.</td>
</tr>
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Systems Thinking Concept #5
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D: Root Causes/Throughputs

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<td>23. The Rigidity Routine</td>
<td>Everything becomes more complex and elaborate/detailed over time unless there is a conscious focus on Simplicity to reverse this.</td>
<td>Policies get more detailed and complex over time, constraining an organization’s effectiveness until it becomes so rigid, it dies.</td>
</tr>
<tr>
<td>24. The Equifinality Effect</td>
<td>Specifying “how to” do something vs. just specifying the desired outcomes is key to success. Today’s world often requires “Strategic Consistency and Operational Flexibility” instead of specifying the “how to.”</td>
<td>Micro-managing is often the result of specifying too much of “how-to.” However, empowerment without clear outcomes is equally bad.</td>
</tr>
<tr>
<td>25. Quick Fixes that Fail*</td>
<td>Long-term negative consequences result from quick fixes as the problem remains and now we often have hard feelings as well.</td>
<td>Attend a training program, send an email or hold a meeting are examples of what managers do quickly that fails.</td>
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<tr>
<td>26. Cause and Effect Blinders</td>
<td>A narrow or shallow view of the short term issue often continues dealing with symptoms; being blind to the reality and deeper root causes of the situation. Result: the issue does not get solved.</td>
<td>This results in employees still having to exist in the same situation with the same issue as it repeats itself over and over again; a culture deficiency.</td>
</tr>
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### Parts-Focus (27)

A Corollary to the above is just a focus on 1-2 parts vs. the whole system and its impact and implications to the problem. Failure to see the big picture or larger system is known as being “micro smart” and “macro dumb.”

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| Employees often cannot see beyond the one person or department they feel is at fault. They also only see their dept or unit – not the larger system it is embedded within. |

### Solutions are Future Problems (28)

Many of these short term problem solving answers that are mere symptoms and parts focused that will result in future problems as a by-product.

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| This failure to find the root causes due to time or narrow views results in the solutions creating more problems again and again down the road. |
## Systems Thinking Concept #5
The Law of Unintended Consequences

*The Common “Systemic Consequences” and Rubik’s Cube Effect – Classic Patterns of Relationships*

### D1: Structural Issues

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<td>29. Under Investing in Infrastructure</td>
<td>Ignoring the infrastructure that is required to change and grow often happens as it is hidden below the surface like an Iceberg is dangerous and causes “loss of efficiencies and extra cost” for the organization.</td>
<td>Rapid growth often implodes on its own – Dell did in customer service.</td>
</tr>
<tr>
<td>30. Content Myopia</td>
<td>The failure to focus on the change processes and infrastructures instead of just the content itself is key to the concept of the Iceberg Theory of Change...and to successful implementation. Content myopia is this failure.</td>
<td>Too often, managers are uncomfortable with change and emotions keep the focus only on the content, thus guaranteeing its failure. Process and change management along with the proper infrastructures are key to success.</td>
</tr>
</tbody>
</table>
### Structural Issues

#### 31. Structures Influence Behaviors

The biggest way to impact positive change in a system is to first focus on the structures or infrastructures that may be missing. The main ongoing structure (organization chart) is designed to be efficient and resist variation and change. So watch for structures influencing behavior. It will work either for or against you! You must design “Change Management Structures.”

#### 32. Shifting the Burden*

With good performers often being asked to take on the responsibilities of others, this can become permanent on the organization chart, resulting in an overload and imbalance and unfairness in the organization.

---

The field of Organization Development (OD) focuses on content and process; thus ignoring the third reality in every situation – the infrastructure or context around it. This limits the success of many OD projects.

We punish good performers with more work and reward poorer performers with less to do.
**33. Limits to Success**

Success is slowed due to the lack of required infrastructures.

Plateauing profits of many organizations is a result of this lack of infrastructure and capacity to grow.

**34. Tragedy of the Commons* **

Everyone takes advantage of a common resource that is stretched to be available to everyone, but eventually it is depleted or ruined.

Fish stocks is the classic story here – overfishing caused loss of the fish on the Grand Banks.
SYSTEMS – THE INNER WORKINGS
From the 12 Natural Laws of Living Systems

Open System Boundaries

Equifinality
Dynamic
Equilibrium
Entropy
Internal Elaboration
Hierarchy

Inputs
Feedback Loop
Outputs
Future Environment

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12 NATURAL LAWS -AND- THEIR BEST PRACTICES

I. The Whole System:

1. Holism
   1. Ask “What’s your purpose” (No. 1 Systems Question)

2. Open System
   2. Scan the environment regularly (Ask implications)

3. Boundaries
   3. Collaborate across Boundaries (seek win-win)

4. Input/Output
   4. Use “Backwards Thinking” (Learn A-B-C’s)

5. Feedback (is a gift)
   5. Encourage “gifts”

6. Multiple Outcomes
   6. Organizational and individual outcomes—WIIFM
II. THE INNER WORKINGS: BEST PRACTICES

7. Equifinality
8. Entropy
9. Hierarchy
10. Relationships
11. Dynamic Equilibrium
12. Internal elaboration

7. Empower the means (focus on ends)
8. Build in booster Shots
9. Flatten the Hierarchy
10. Recognize Relationships and Fit
11. Blast away the ruts
12. Create Clarity and Simplicity
What *Are* the Properties of a Living System?

• The most distinctive feature of any system is that *each and every part influences and affects every other part of that same system.*

• Ideally, all parts of a system fit and work together synergistically.

• By definition, no individual part *can be independent.*
PROPERTIES OF A LIVING SYSTEM

The following list identifies most of the properties of a true system:

1. The Whole is Primary – The whole is primary and the parts are secondary. Focusing on maximizing the parts leads to suboptimizing the whole.

2. Systems Must Be Viewed Holistically in Their Environment – Systems, and organizations as systems, can only be understood holistically.

3. Each System Functions Uniquely – Every system has properties/functions that none of its parts can do individually.

4. System Purposes First – The place to start is with the whole and its purposes within its environment. The parts and their relationships evolve from this.

5. Parts Support the Whole – Parts play their role in light of the purpose for which the whole exists.
6. All Parts are Interdependent – Every system cannot be subdivided into independent parts; a system as a whole cannot function effectively when it loses a part.

7. Small Changes Produce Big Results – The small changes can produce big results if the leverage points are clear.

8. Maximizing Parts Suboptimizes the Whole – Exclusive focus on one element or subsystem without simultaneous attention to other subsystems leads to suboptimal results and new disturbances. The solution or simple cure can often be worse than the real disease.

9. Causes and Effects Are Not Closely Related – Direct cause and effect is an environmentally free concept.

10. Faster is Ultimately Slower – Systems have a natural pace to them. Sometimes trying to go faster is ultimately slower.
11. Feedback and Boundaries – Systems are more “open” and likely to sustain their existence longer and more effectively, the more feedback they receive from the environment through all aspects of their boundaries.

12. Multiple Goals – All social systems have multiple goals; building consensus on them first is the key to successful teamwork and achieving these goals.

13. Equifinality and Flexibility – People can achieve their goals and outcomes in many different styles/ways.

14. Hierarchy is Natural – Despite some recent “political correctness” issues against hierarchies, all systems exist in a natural hierarchy.

15. Entropy and Tendency to Run Down – All systems have a tendency toward maximum entropy, disorder, and death. Importing resources from the environment is key to long-term viability; closed systems move toward this disorganization faster than open systems.
What we think, or what we know, or what we believe is, in the end, of little consequence. The only consequence ... ...is what we do!
THANK YOU
FOR YOUR PARTICIPATION

Steve Haines   Stephen Lin
Haines Centre for Strategic Management