Complexity Management

How to cope with the unpredictable future

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«We need a discipline that explains events and phenomena in terms of their direction ... a philosophy of purpose, a logic of quality and ways to measure qualitative change ... a methodology of potential and opportunity, of turning points and critical factors, of risk and uncertainty, constant and timing, «jump» and continuity.»

Peter Drucker, Landmarks of Tomorrow, 1957, p. 15
Other quotes on predicting the future

«… economic theory is confined to describing kinds of patterns which will appear if certain general conditions are satisfied, but can rarely if ever derive from this knowledge any predictions of specific phenomena.»

_Friedrich von Hayek, The Theory of Complex Phenomena, 1964_

«Instead of predicting future earnings and valuations separately, we should try to assess the future course of the entire initially self-reinforcing but eventually self-defeating process».


«(Financial) markets exhibit pockets of predictability associated with pockets of order – just like any complex system should»

_Neil Johnson, Simply Complexity, 2009_
From prediction to optimal simplification

If predicting the future falls short as an option for complexity management, how to succeed in turbulent times?

Definitely not by collecting evermore data and details about the issue at hand.

The quality of «pattern recognition» and «optimal simplification» in the face of complexity characterizes good management.

Einstein gave managers the basic clue how to precede: «Everything should be made as simple as possible, but not simpler!»

How about the reality of today’s management?
The practice of management

Time for decisions

Dynamics of relevant environment

Required time
Available time

Incompetent simplification with
Inadequate goal-setting
Inappropriate segmentation
One-dimensional action orientation

lead to
Neglect of side effects
Over-steering
Authoritative behavior
Coping with complexity: Ashby’s Law

Drive on the right side!

From traffic lights to road circles
Good management: Head, Hand and Heart

- Variety reduction
  - Decision situation
- Variety generation
  - Management

by:

**Detecting the “rules of the game”**
- Business logic
- Environmental dynamics
- Corporate culture

by:

**Proactive decision-making and implementation**
- Holistic mapping
- “Jiu Jitsu” management
- Accountable leadership
Guidelines for optimal simplification

In management, distinguish between simple, complicated and complex problems and apply the best problem-solving approach!

From a scientific point of view, distinguish between organized simplicity (analytics), unorganized complexity (statistics) and organized complexity (complexity sciences). Lay open your basic assumptions!

Draw the boundaries of your system anew to isolate generic patterns!

Find «pockets of order» in otherwise disordered situations!

Accept counterintuitive behavior of complex systems, don’t fall in the «nothing else - buttery»- trap!
Good managers can do without predictions about the future.

But only if they follow Einstein’s guideline and live up to Ashby’s law.

«Early movers» shape the future whereas «followers» can be moderately successful by copying them.

I do not expect wonders from Complexity Sciences as to strengthen my predictive power. But if they teach me new ways to recognize patterns and to optimally simplify, their insights are highly welcome.