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Leading and Planning in
Loosely Coupled Systems

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In many sectors and organizations that are experiencing difficulty—health care organizations, public schools, universities, professional associations, government bureaucracies—we often hear a call for more leadership and strategic planning. Often the implied paragon is a private sector company with an entrepreneurial CEO setting a direction and crafting an innovative strategy to realize the vision.

The context of leadership and strategic planning in these settings is significantly less complex than the challenges posed in what are called "loosely coupled" systems. These systems are settings where individual elements have high autonomy relative to the larger system that they are in, often having a federated character. In loosely coupled systems, actions in one part of the system can have little or no effects in another or can unpredictably trigger responses out of proportion to the stimulus. The linkages among elements are often unpredictable, ill understood and/or uneven. In loosely coupled systems, the forces for integration—for worrying about the whole, its identity, its integrity and its future—are often weak compared to the forces for specialization. Central authority is derived as much from the members versus the member elements receiving delegated authority from above. Many of the sectors and organizations in distress are loosely coupled and will require a different approach to leading and planning.

In profit making firms, company executives developing strategies have reasonable control over the disposition of resources and the deployment of personnel. Therefore, they can think holistically and can comprehensively ask how a scarce resource such as money, talent or facilities can be best used. They often have a clear set of goals and operate within an organizational structure that is accorded legitimacy by its members.

The following are examples of loosely coupled systems.

> A dean of a medical school works with department chairmen who are often semi-autonomous scientists that control their own research funds; faculty physicians decisively shape the economics of their clinical practices; the cooperating hospitals function as autonomous units facing their own fiscal and political challenges. What does planning mean in such a setting? How do a dean and his colleagues at the executive level influence the development and shape of a federated center with numerous power centers and complicated politics?

> The Commissioner of the Food and Drug Administration sits atop a complex organization charged with overseeing the safety of food and drugs in society. Individual units are related to panels of experts in the specialized areas and have considerable autonomy. Linkages to Congress, industry and the scientific community may be stronger than the linkages to one's superior.

A state bar association oversees the legal profession, worrying about a broad mission that ranges from lawyers' obligations to society to the economics of practice. Members vary widely in their motivations for membership and participation. Actions that favor one segment, such as support for sole practitioners, may irritate other constituencies. The work takes place via committees, led by part-timers who may not be able to command follow-up from their colleagues.

Leaders of loosely coupled or federated systems can plan for their future, but the plans they develop, the frameworks they use, the planning processes they deploy, must all fit the characteristics of the institution they lead. Recent experience suggests that *planning consists of both protecting* and *guiding* the system while acknowledging the semi-autonomous status of the its component units. To protect the system, the executive keeps the system within its safety zone and manages its contradictions; to *guide* the system the executive develops strategic themes, builds a planning infrastructure and works at the "seams" between units, giving a boost to emerging synergistic combinations. The following are explorations of these two aspects of leading: protecting and guiding.

A. Protecting the System

1. Executives leading a loosely coupled system are often asked and expected to manage the system's current and emerging contradictions, to contain the conflicts among the parts so that the whole remains reasonably intact. They don't really direct the system, they insure that it remains upright.

2. To contain conflict and protect the system from its own contradictions, executives are expected to act paradoxically *without* a guiding strategy. Thus for example, facing shrinking resources and cutbacks, the stakeholders in a loosely coupled system believe that history is the fairest guide to allocating resources. Across-the-board cuts that preserve the relative standing of different units seem the fairest. Attempts to change priorities in a time of fiscal stress are regarded as too disruptive and unfair. Indeed, in loosely coupled systems fairness is often the most important measure of the chief executive's ability to lead.

3. Executives, however, are often expected to monitor the system and protect it from crisis. This means they understand the system's limiting conditions and know when a crisis in a component part can affect the viability of the whole. This does not mean that executives are only crisis managers. Rather, they are expected to prevent crises by managing the issues and monitoring only the conditions that best indicate how close or far the system is from a state of crisis. They keep key leaders and power brokers focused on these conditions and issues so that everyone develops a common interest in keeping the institution within its *zone of safety*.

4. One limiting condition is the system's level of balkanization. While the executive is expected to give local entrepreneurs much running room, these same entrepreneurs, as well as the appointing authorities, expect the executive to protect the system from excessive fragmentation.

5. The safety zone also is affected powerfully by common resources or relationships that all the components share or shape. A government agency, which subsidizes the system's basic costs, or a local economy which affects the prices and costs of widely needed resources, can directly and simultaneously affect all the subsystems at the same time. These conditions become "rate-limiting" factors or constraints on the development of the system as a whole. The executive is expected to monitor the status of these resources, conditions and emerging constraints to protect the system from sudden or precipitous changes in their status.

6. One way in which executives can prevent crises and manage the issues associated with them is to develop a series of scenarios, each highlighting how the system may inadvertently be pushed beyond its safety zone. This portfolio of scenarios becomes the basis for problem anticipation, planning and management. Scenarios are powerful because as stories they can weave political, substantive and economic factors together, exploring some relationships of the system to its wider environment.

B. Guiding the System

1. Thus far we have described the executive as someone who keeps the system in balance, prevents its balkanization and anticipates conditions or circumstances that can affect all the parts negatively. Executives of loosely coupled systems can also guide the system's development, but they cannot accomplish this through the familiar tools of controlling and allocating the systems' capital, expenses or investments. Instead, the executives must rely on more subtle mechanisms.

2. Executives can build and deepen their ability to guide the system by building *planning tools* or a *planning infrastructure* rather than particular plans. Thus for example, by building a base of information that highlights key indicators such as the flow of funds, unit productivity, overhead utilization, and personnel allocation, the executive creates a context over time for thinking about the relationship between the parts and the whole. By highlighting which units get what proportion of the funds, how cost and productivity are related, and who consumes what proportion of the overhead, the executive highlights the implicit and often poorly understood financial linkages between the units. Some units may resent or fear such information, but over time the steady production of data about system characteristics focuses attention on the executive offices as both the source of data, the potential mediator of any discovered "unfair" distribution of resources, the potential interpreter of complex patterns, and the leader in using the data to highlight future trends.

3. Similarly, the executive can design and implement a system of forums and deliberations that bring together the appropriate coalitions around appropriate issues. By thoughtfully designing this *meeting system* and facilitating particular meetings, the executive helps create and sustain the conversations that integrate the subunits while providing mechanisms for

resolving or managing conflicts. The executive office becomes the center for critical conversations. Informal discussions, which were once uncoupled from each other, are then stitched together over time.

Often a critical group is a steering committee or strategy group. This group is advisory to the sponsoring executive. It should not be constituted as a representative body, but rather as a group of thoughtful perspectives who are each willing to wrestle with the difficult issues of integrating the whole. It should be small in number (six – nine people) and should play the role of stewarding the overall process: framing the issues, deciding what is the right approach for handling the issue (e.g., a white paper, a task force), making assignments of people to work groups, setting deadlines and reviewing their work. Usually, it is better that they remain an advisory group to the sponsoring executive so that they are somewhat buffered from direct political jockeying.

Ad hoc groups have flexibility of membership that can be crafted around the specific issue.

Staff groups can be constituted to provide support and data collection especially important in systems where there is little reliable, well-respected pattern level information.

Often workshops or focus groups can be ways of involving important perspectives without making a longer-term commitment to an ongoing group.

4. The executive can take an even more active guiding role by highlighting *strategic themes* that if convincing or compelling can shape local decision making. The theme is global in character—that is it is relevant to most if not all the units in the system—but it is implemented locally by each system in its own distinctive way. It thus respects local units' autonomy while providing them with a shared focus for action and planning. Thus for example, "resource-conservation," is a theme that mayors or governors can represent and articulate. But particular companies or government agencies may implement resource-conserving strategies in their own ways. The strategic theme of "quality" may function this way in a company.

A strategic theme's power to impel action by local units depends on three characteristics:

◆ Linkage to some common external stakeholder, such as "the Japanese are out-performing us" or issues of institutional survival, motivates local action.

◆ Expression of the leader's charisma stimulates action by enabling people to identify with the leader and his/her vision for the institution.

◆ Capturing and identifying a developmental tendency common to several key units in the system. The theme labels and articulates what is often emerging "behind the backs" of the institutional actors, and therefore, provides a way in which these units can see their shared future and common interests. Thus for example, the theme of "learning to learn" expresses the broad idea that the information explosion, a multicultural

world, career switching over the course of the lifecycle, and the freedom we have to forget facts as computers remember them, are all part of the same broad cultural and technological trend. Different professions and institutions experience this trend in different ways, but the theme of "learning to learn" helps everyone see how they share a common set of challenges.

Such strategic themes can be quite powerful but the executive who espouses one takes the risk of failing to tap into some underlying social dynamic which links apparently disparate efforts. The theme then appears to be artificial, ideological or a cover for some ordinary interest. For example, Republican Party theoreticians hope that the theme of "volunteerism" expresses some underlying social dynamic. Others may argue that in an age of high mobility, falling living standards, and people's sense that most everyone is a victim, "volunteerism" does not express the natural way in which people want to express their membership in society.

5. Finally, an executive can influence the system's development by operating at the *seams* or *boundaries* between the system's units. Complex systems can develop in at least three ways:

    ◆ Extensively by growing in size,

    ◆ Intensively by creating new more specialized parts, and finally,

    ◆ Coactively by taking on a new shape or structure by combining old parts to create new ones.

An executive has some freedom to operate at the seams between units, fostering their collaboration, because neither unit fully owns the "social space" between them. Thus for example, entrepreneurs who hope to combine biological techniques with manufacturing ones to create raw materials from bacteria are borrowing from each field, while impinging on neither. In this way they create an entirely new wellspring of resources.

The executive hoping to guide an institution by operating at the seams faces the challenge of choosing the right seam, of working at a boundary where strong synergies are latent, if not already emerging. If he chooses incorrectly, people will participate in the collaborative projects he/she sponsors only ritualistically. Consequently, the cross-unit collaboration will not produce new resources. Thus for example, deans and provosts of many liberal arts universities have sponsored multi-disciplinary seminars and conferences hoping to reinvigorate social science teaching and research. However, such efforts rarely succeed. The disciplinary structure, with its roots in tenure granting departments, limits the impact of efforts to promote cross-disciplinary work. This means that the executive seeking to operate at the seams has to work in areas where synergies are already emerging, where local entrepreneurs are already linking disparate units, or subsystems. The executive then gives these efforts an extra boost.

In sum, an executive leading a loosely coupled system can guide and steer it in several different ways.

Keeping the System in its Safety Zone

- He/she can identify and manage issues that portend a crisis.
- He/she can monitor rate limiting conditions or factors that affect all units in the system.
- He/she can manage contradictions and preserve a climate of fairness.
- He/she can limit the level of balkanization.

Directing the System's Development

- He/she can build a planning infrastructure focusing in particular on the flow information and the orchestration of meetings.
- He/she can lead when a scarce resource cannot be allocated evenly over the units.
- He/she can develop and represent strategic themes that have meaning for the system as whole but are implemented locally by the units.
- He/she can work at the seams giving a boost to emerging synergistic combinations.

Relevant Abstracts

The following abstracts amplify many of the key points in leading and planning in loosely coupled systems.

Cohen, Michael, and James March. "Leadership in Organized Anarchies." *Leadership and Social Change*, eds. Lassey, William, and Fernandez, Richard. University Associates, 1976.

De Geus, Arie. "Planning as Learning." *Harvard Business Review*, March – April, 1988, pp. 70 – 78.

Dror, Yehezkel. "Memo for System-Reforming Rulers." *Futures*, August 1989.

McCaskey, Michael. *The Executive Challenge: Managing Change and Ambiguity*. Boston: Pitman, 1982.

Peters, Thomas J. "Leadership: Sad Facts and Silver Linings." *Harvard Business Review*, November – December 1979.

Gilmore, Thomas. "Leadership Transitions and Their Impact on Patient Care." *Journal of the Society for Health Systems,* 1(3), 1991, pp. 59 – 72.

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