Latham's Response to Commentaries

JOHN R. LATHAM
UNIVERSITY OF NORTHERN COLORADO

I am grateful to the three commentators for their thoughtful reviews and to the editor for arranging this exchange of ideas on management system design. In particular, I appreciate the combination of practitioner and researcher perspectives included in the commentaries. Steve Hoisington and David Spong provide their perspectives as successful senior leaders and Baldrige experts. Lawrence Fredendall identifies several theories related to the design framework components and recommendations for future research. This rich mixture enables a dialogue where practice informs theory and theory informs practice. Following are a few thoughts in response to some of the many great points they make in the commentaries.

Steve Hoisington makes an excellent point regarding how most leaders and organizations today are focused on their short-term survival vs. creating a sustainable organization. Indeed, this is all too often true. This raises questions about leaders' motivations, time horizons, and why some leaders have a systems perspective and are motivated to redesign their organizations to create value for multiple stakeholders, while others simply reallocate resources as if it was a "zero sum game." Maybe more research on the attitudes and motives of leaders is warranted, such as the forthcoming *QMJ* paper by Larson et al. titled "CEO Attitudes and Motivations: Are They Different for High-Performing Organizations?" Why do some practitioners ignore what we know works and why do they sometimes adopt practices and policies that we know don't work (Pfeffer and Sutton 2006)? Evidence-based management related to management system design is an important issue that deserves much more research; it is one thing to create new frameworks, tools, and so forth, and quite another for practitioners to actually use them.

David Spong notes that some management systems are not "for execution per se" but are "basically command media." Good point. There seems to be a range of uses for explicit management systems depending on the purpose and nature of the particular system. While some managerial systems such as customer satisfaction determination systems and strategy development and deployment systems include scheduled phases and steps along with specific tools, techniques, and technologies, others such as leadership systems may be as much "art as science" and thus, as Spong suggests, "command media." In addition, Spong makes a good point about how once developed, an explicit management system can be used to assess the implementation and effectiveness of the design and ultimately improvement of the system. This type of evaluate and improve cycle is an integral part of step 9 (see Figure 1).

Spong goes on to propose that the need for practitioners to rethink the purpose and design of management systems may be "the most challenging concept" I propose in the paper. He wrote, "During my tenure as a leader of large, complex organizations I would have not been inclined to start over with a whole new management system. Our approach was very much the use of repeated cycles of improvement on the system in place." I suspect he is in good company and many senior leaders are reluctant to engage in total reinvention of their management systems. The difficulty associated with that amount of change in large complex organizations is enough to cause anxiety in the most confident and experienced leader. Addressing this issue, Frantz (1998, 179) identified three sources of anxiety associated with the discontinuous leap approach to change. He wrote,

"First, is the realization of how deeply disappointing it would be to find out that one's yearnings were foolishly unrealistic.... The second anxiety source comes from realizing, often vaguely, that leaping to something better means losing some values aspects of present reality, such as the security of the routine and the familiar.... The third source of anxiety comes from facing an existential void, as existing reality is left behind. Like artists before an empty canvas, designers must accept and even value the emptiness of 'not knowing yet.'" While many organizations may need wholesale reinvention to survive in the current environment and thrive in the future, others may need more modest incremental improvement. The need for incremental vs. discontinuous or breakthrough improvement depends heavily on the current maturity level of the existing system and the magnitude of change needed to address the changes in the external environment. Given the current and future challenges associated with economic, social, and environmental sustainability, I suspect many organizations may have to learn how to recognize and deal with the anxiety and design and implement discontinuous leaps in their organization systems. The type of change required is ultimately contingent on the particular situation.

Lawrence Fredendall's commentary builds several "bridges" between theory and practice by identifying several theories and concepts that support the design framework, practices, and considerations including: contingency, agency, sensemaking, socio technical system, organization information processing, and organizational learning theories. Given that the approach to design is focused on "custom" management systems to fit the unique needs of the particular organization, contingency theory is a fundamental concept, and as Fredendall points out, is applicable to several design components including steps 1, 2, and 5 (see Figure 1). In addition, I propose the design is also contingent on the existing systems, processes, and activities identified in step 7, system integration. He goes on to identify agency theory and the alignment of individual and organizational goals as an essential part of any management system. Good point. When I have asked Baldrige recipient CEOs what they would do differently if they had to do it all over again, several responded, "I would align the organization sooner because that is where the real power was." This raises the question, agents for whom? The concepts and principles found in stakeholder theory also influence the design of managerial systems that are explicitly designed to create value for multiple stakeholders (Freeman and Reed 1983; Freeman, Harrison, and Wicks 2007). One thing that is becoming clear—while management can choose which stakeholders to emphasize, include, and exclude in their efforts to create value, stakeholders have ways of influencing the success of organizations whether management likes it or not.

Fredendall also notes that in step 1 (see Figure 1) the design team is "implicitly assigning a system owner." Good point. Unfortunately, it is not uncommon for the system being designed to include multiple functional areas and cross multiple organizational boundaries. Consequently, in many cases, there is no obvious system owner based on the current organization chart. This was a central issue with the mortgage-finance system where no one was (or is) in charge of the overall system (Latham 2009). It may be time to add an explicit task to step 1 that ensures the design team proactively deals with this issue.

Fredendall also identifies several advantages of the collaborative and iterative characteristics of the approach to management system design, including: a) a deeper understanding of the "roles and functions of each part of the management system;" b) a sensemaking process that helps the design team incorporate multiples views; and c) a social process of organizational learning and the creation of new understandings of the systems. All are great points and are consistent with my own design, development, and deployment experience. Collaboration (involvement of key internal and sometimes external stakeholders) also increases the level of "ownership" of the new design and reduces resistance to change (Beckhard and Harris 1987). Consequently, the role

of the design expert (internal subject-matter expert or external consultant) is to facilitate the design process; help the design team research examples, key theories, and concepts; and so forth vs. actually design the system.

Fredendall also identifies several research opportunities. Yes indeed, all are great suggestions and when combined with the suggestions in the paper, there is plenty to keep researchers busy should they be so interested. He suggests that the design framework presented in the paper doesn't provide a structured approach for the design of management systems and that it would benefit from additional structure. While the framework and approach to management system design is not *highly* structured and is instead a flexible framework, it does provide for eight preparatory steps or components and then six sequenced activities in step 9 including: a) imagining the *ideal* conceptual design; b) developing a *doable* conceptual design; c) developing a *detailed* design; d) prototyping; e) deploying the design; and f) continuous reflection and improvement. However, Fredendall's point on the benefits of structure is well taken and has been an issue of exploration during the development of the design framework, practices, and considerations. If it is possible to add structure and maintain or improve effectiveness, that would, as Fredendall suggests, "help managers cope with the unknown when designing systems." However, design is a highly creative and inductive process. Experience and research suggest that there is a curvilinear relationship (inverted "U") between the level of structure and the level of creativity (Seaton 2010). As structure increases from zero, creativity increases up to an optimum point. Then as additional structure is added beyond the optimum or peak of the curve, creativity decreases. While experience suggests that the design framework is currently at or near the optimum level of structure for the purposes of management system design, more research is needed, as Fredendall suggests.

I am pleased that this "Practice Paper" helped to stimulate a practitioner and researcher discussion on management system design. George Benson, at that time Dean of the Graduate School of Management, Rutgers University, in his congratulatory letter to the editor in the premier issue of *QMJ* (October 1993), noted how he thought *QMJ* would help legitimize quality management in academia and as a field of study within business schools. He went on to note, "Of course, the real beauty of the journal lies in the potential to contribute to and encourage a more substantive dialogue between academicians and business practitioners" (Benson 1993, 5). Over the last two decades *QMJ* has certainly helped to do both, and I would like to thank the editor and publisher for introducing this most recent addition, the "Practice Paper," to the mix of articles in the journal. I hope to see more practice papers and practitioner + researcher discussions in *QMJ* in the future. In closing, I would once again like to thank the commentators for the exchange of ideas.

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