

# The organisational machine

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What is an organisation? As you reach for Wikipedia in today's digital world, you have access to a whole repertory of knowledge for free. An organisation is a social arrangement that pursues collective goals, controls its own performance, and has a boundary separating it from its environment.

An organisation consists of people who are responsible for achieving all the collective goals. To function, an organisation is created with a formal structure that is headed by a leader who should have a thorough knowledge of the functional aspects. Ultimately, he is looked upon to answer queries in running the organisation.

Over time, we assume the organisation will run on well established policies, procedures, its people fitting in seamlessly like cogs in a well oiled machine, producing efficiently and continuously, delivering results.

Beyond the machines that produce or run processes, what we miss out is that it is people whose collective knowledge and skills create a dynamic, living organisation.

Mankind has evolved from living as nomadic tribes to the structured society of today. The lives of our forefathers have left an indelible mark in our genes and our instincts of survival. Modern as we are, we are still "preoccupied with personal security, maintenance, protection, and survival. Now, man spends a major portion of his waking hours working for organisations. His need to identify with a community that provides security, protection, maintenance, and a feeling of belonging continues unchanged from prehistoric times." (Henry P Knowles, Borje O. Saxberg, in their book, Personality and Leadership Behaviour).

As such, even if we have a well-structured formal organisation, people will fulfil their feeling of belongingness by creating an informal organisation where they belong, feel secure and comfortable. This informal organisation is the actual pulse, the culture of the organisation. People shine and give their best if the formal and informal organisations fit closely, like pieces of a jigsaw puzzle. How do we make this happen? We first need a paradigm shift in the way we view organisations. An organisation is not a well-oiled machine; it is alive and follows the principles of a living organism.

I am re-producing the following concept of a living system vis-a-vis an organisation by Michelle Holliday of Cambium Consulting. According to her, the pattern of living systems, including organisations, involves four defining



characteristics:

1. There are individual parts, people in the organisation, along with their unique contributions. The more divergence, the more the living system will be resilient, adaptive and creative.

2. There is a whole formed in organisations by convergence around a shared purpose, usually service to a customer or community. The more convergence, for example, the more compelling that shared purpose and so the more the organisation remains consistent and recognisable even as individual people come and go, the more the living system will be resilient, adaptive and creative.

3. There is a dynamic pattern of relationship at the physical and conceptual infrastructure of the organisation. The more open and free-flowing the relationships, the more resilient, adaptive and creative the living system will be.

4. There is what biologists call a "self-integrating property". This means that by itself, the living system integrates divergent contributions into a convergent whole in a dynamic rela-

tionship internally and externally, in an ongoing process of self-organisation and self-creation. In other words, it's what makes the living system alive. That's life.

When we recognise that organisations follow this four-part pattern of living systems, we see that we need to build the intrinsic capability to: enable individual people within the organisation; engage the loyalty of the customer or community being served; and design an infrastructure that connects and supports the above two things dynamically.

These are the fertile conditions necessary to enable an organisation to thrive at all levels. At face value, this may appear to be nothing new. We have known for decades about the importance of diversity, shared purpose, and team building. But a few things happen when we acknowledge the fourth part of the living systems pattern, life.

First, we begin to add depth, detail and meaning to each of these three strategies, which until now have been applied quite mechanistically and

superficially.

Second, we discover a new role for ourselves as hosts or gardeners, creating the fertile conditions for life to do its self-integrative thing, rather than mechanics re-engineering the machine.

Third, we begin to recognise the emergent collective wisdom of the ecosystem that is the organisation, including people within, customers and community. And with this recognition, we can begin to listen for the voice of the whole, even as we honour the needs of the divergent parts.

Finally, we begin to recognise that life is the true bottom line and that contributing to life is our ultimate reason for coming together in organisation. And that changes everything.

Michelle's view of an organisation as a living system is a fast-forward view of an ideal, an ideal I believe will make organisations thrive as they achieve their goals through their people and keeping their customers and community content and satisfied.

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# Currencies: war, tragedy or farce?

JAMES SAFT

Call it what you like -- war, tragedy or farce -- but the disagreement over global currency exchange rates shows no sign of coming to a peaceful negotiated agreement.

Asked last week if loose Federal Reserve monetary policy was to blame for inflation in emerging markets, Ben Bernanke stoutly denied that it was anything to do with him, maintaining in central banker speak that he'd been tucked up in bed at home at the time.

"I think it's entirely unfair to attribute excess demand pressures in emerging markets to US monetary policy, because emerging markets have all the tools they need to address excess demand in those countries," the Fed chief told reporters assembled at the National Press Club in Washington.

"It's really up to emerging markets to find appropriate tools to balance their own growth."

Now on the face of it, that statement is a nonsense: regardless of emerging markets, like say, China, having tools at their disposal to put out the fire of domestic inflation, it is still possible, even likely, that Fed policy is partly responsible for widespread commodity price pressures.

Bernanke is right that rising living standards in emerging markets play an important role in price pressures and right too to point out that emerging markets have unused tools at their disposal.

"They can, for example, use monetary policy of their own. They can adjust their exchange



A young girl checks her 100-yuan note against a poster telling visitors how to spot a fake note at a yuan exhibition at the Beijing Science Museum.

rates, which is something that they've been reluctant to do in some cases," Bernanke said.

Bernanke argued that infla-

ric against Chinese policy in a report from the Treasury Department last week, stopping short of labelling China a currency manipulator but calling the yuan "substantially undervalued" and complaining that "progress thus far is insufficient and that more rapid progress is needed."

China for its part seems utterly unlikely to do very much to substantially address the issue of a weak yuan, based both on its track record and recent body language.

The truth is that this is a dangerous and destructive way to manage competing global interests, dangerous both in terms of the threats of inflation and hunger and destructive in the ways that Chinese policy has helped to distort the global economy over the past decade, albeit with a massive helping hand from overly loose US policy.

No one should expect the rest of the world to sit by as the duelling Chinese and American policies spray stray bullets into the crowd.

French Finance Minister Christine Lagarde on Sunday was forthright, blaming a, for her, highly inconvenient strength in the euro on the US and the Chinese.

"We must reform the international monetary system so that the euro is not caught in the middle, hit by the expense of trade-offs between two currencies that are deliberately weak," Lagarde said in an interview on French television.

And while the word "China" did not pass his lips, US Treasury Secretary Geithner's meaning was clear on Monday on a

visit to Brazil:

"Brazil is seeing a surge in capital inflows. This is happening for two reasons. First, investors around the world see Brazil growing at a faster pace and offering higher rates of return relative to other major economies. But these flows have been magnified by the policies of other emerging economies that are trying to sustain undervalued currencies, with tightly controlled exchange rate regimes."

That is both true and not true; Chinese policy is terrible for Brazilian industry, threatening to turn the country into a larder for natural resources while suppressing other exports, but a lot of the money which is flooding the country and pressuring its currency upward is part of a huge carry trade that is directly attributable to US monetary policy.

In this way perhaps the real risk of the currency skirmishes is that all countries are so focused on getting their share of global growth that they fail to take individual steps to control inflation, and thus allow it to grow rapidly in a way that proves difficult to control.

It does not have to work out that way; an inflation shock that does not become self-reinforcing will kill asset returns but whittle down debts in a very useful way.

The truth though is many countries are all trying to control the same knife at the same time and that is a tough way to whittle.

James Saft is a Reuters columnist. The opinions expressed are his own.

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