

## Management and Leadership Needs Overhaul in Face of Increasing Complexity

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- Leaders and managers must discard outmoded thinking in approaching complex systems.
- Surrendering the illusion of control is the most difficult part of managing in a complex world.
- New tools and models can map the real network pathways in an organization, often at odds with theory.
- For more information about the Annual Meeting of the New Champions 2012, please visit: <http://www.weforum.org/newchampions>

Tianjin, People ' s Republic of China, 12 September 2012 Corporate and political leaders alike remain daunted by the complex systems now so ubiquitous in companies, institutions and polities in this hyperconnected and increasingly intertwined world. Models and tools can go far to help cope with complexity, but the chief obstacles are conceptual and psychological, said a panel of experts at the Annual Meeting of the New Champions 2012, taking place in Tianjin.

The prevalence of complex systems calls for an approach to leadership to which most managers and leaders are wholly unaccustomed. " We are dealing as control freaks, " said Angel Cabrera, President, George Mason University, USA. " The cognitive system that we ' ve been endowed with compels us to seek order, to seek simplification. We ' re bumper-sticker thinkers. "

Instead, complexity calls for experimentation, the rejection of single, simple explanations of reality and the ability to maintain entirely contradictory views of reality.

Distinguishing the merely complicated from the truly complex, Albert-Laszlo Barabasi, Director, Center for Complex Network Research (CCNR), USA, suggested that while our smartphones and cars might be complicated, they are not complex: " In complex systems, you can ' t always know the outcomes of interventions, " he said. Analysis of complex systems must always rely on data, said Barabasi. " Anyone who claims they can understand complex systems without data is either a fraud or a business consultant – but certainly not a scientist. "

Complexity theory, panellists agreed, will never replace leaders. " There is a smart decision-maker at the top, and looking at all this data he can make the right decision, " said Cabrera. " But I question the very idea that there is a ' right decision ' . You need to embrace complexity: Allow people to build bridges between cultures, between disciplines, and hope for the best. " The best a leader can do, he said, is to " remind everyone of the values, of the sense of long-term direction of the organization, [and] not live in the illusion that there is a right decision. This is very different than what we ' ve been trained to in business schools. "

" You actually have to give up some control in order to manage a complex system. You can ' t control from the centre, " said Brian A. Gallagher, President and Chief Executive Officer, United Way Worldwide, USA.

" You want to believe in the org chart you put in place – a theory by the CEO. But if you take a photo of the reality of the organization, your theory kind of stinks, " said Barabasi. He illustrated this disconnect by diagramming connections between employees in three locations of a Hungarian company, and how internal company information

actually flows. The actual network of connections showed much more lateral connectivity than vertical, with the CEO almost completely unconnected from the rest of the organization and a relatively low-level employee, responsible for security and health, who talks to people across the organization routinely as part of his work and is a reliable source of news and office gossip.

Cabrera suggested that organizations need ways for top-level leaders to directly access ideas from further down. Citing the example of the now-defunct bookstore Borders, which failed to compete with online bookseller Amazon.com, Cabrera said, “ It ’ s impossible to believe that no Borders employees thought that [Borders] could use the Internet to sell books. ”

#### Notes to Editors

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