

Need an Environmental Interface in VSM? Ask Managers in Crises.

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A Crisis is not just a fast changing event, even not a chaos, but an entirely irregular turmoil. [*note1: In definition, Chaos is order (a pattern) within disorder (random behavior).] The normal way in Beer's VSM to manage the external factors is that each System 1 deals with its own local environment and System 3 coordinates through System 2 and monitors via auditing channel. But when a crisis is coming, total environment becomes deadly uncontrollable and local environments in every recursion level are very much correlated. Thus the normal coordinating/auditing loop will be over-loaded, desperate and collapsed. [*note2: This phenomenon was observed by the first author, who served for a company in Southeast Asia, with head quarter in Singapore and subsidiaries in Malaysia, Indonesia, and Thailand during 1997-1998 crisis.]

A general regulator is needed with more variety and complexity built into it so as to match the increasing variety and complexity outside, according to Ashby's Law of Requisite Variety. This regulator, called Environmental Interface (EI) in this paper, can be a subjective or physical unit in between the environment and the organization. It has three major functions: (1) like a buffer, to prevent the harmful signals inject into the system directly and attack the valuable structures and channels; (2) like an optical filter, to unify directions from sub-systems and recursive operations towards environment; (3) to fully utilize the internal resources in "resolving" external variables.

The fact that the normal way fails shows System 3 is not enough to handle crises. So EI gets top decision-makers even founding directors from Policy and Intelligent systems (or System 5&4) involved in frontiers to sense, analyze and coordinate urgently emerging issues in business context. In such cases, analogy reasoning of old adepts are vital to grasp the perseverant principles for dealing with highly confusing behaviors of partners, competitors, customers, and suppliers. [*note3: We saw too many young MBA holders fell prey to analysis paralysis, or made defensive or arbitrary decisions based on gut reaction rather than a cerebral thought process due to crisis-induced stress.]

Also the paper discusses how EI locates faulty or mal-functional sub-systems in terms of meeting new requirements, and how EI could turn danger into opportunity in the acute stage by changing organization from a "cybernetic" controller to an "organic" being, without damaging the original structures and values.