

“Complexity is our job.”

An interview with Dr. Heiko Roehl.
What companies can learn from Non-Profit organizations.

Dr. Roehl, what is an NPO?

An NPO is an organization that does not pursue commercial goals, i.e. has chosen not to make a profit.

And what is a top-level NPO?

Firstly, it is one that has been around for a very long time. After all, one of the most important criteria for the quality of an organization is its ability to survive. In addition, a top-level NPO must establish a brand that is undisputedly “top level” itself, i.e. infused with values of unquestionable quality. There are many such NPO’s, including Greenpeace, Transparency International and Amnesty International.

What I mean when I speak of “quality” here is that when Amnesty International gets involved somewhere, the world knows that things are serious.

So an NPO’s greatest asset is its brand capital?

An NPO’s capital is completely different from that of a for-profit organization’s, simply because its business goals and reason for existence are entirely different. NPO’s often make the mistake of defining themselves based on key financial figures alone – probably because management theories and practices were originally developed for profit-making organizations and NPO’s now believe that they must orient themselves to precisely these guidelines. The more NPO research progresses, however, the clearer it becomes that one of an NPO’s key goals must be maximizing its brand capital as reputation capital. NPO’s are well advised to avoid risks to their reputation – and they are much more susceptible to such risks than for-profit organizations are. This can clearly be seen in the case of the German Unicef organization last year. For-profits can risk engaging in activities that could damage their reputation without being concerned that the organization will fall apart as a result. At the same time, however, the “reputation factor” is becoming increasingly important for profit-making organizations as well.

How does one lead an NPO?

First and foremost, leading an NPO means continually winning over the workers. Especially when they serve on a voluntary basis, they are more likely to have the option of just leaving than they would as an employee at a for-profit organization. That is a great challenge for executives, because they must continually bear in mind the values on which their leadership work is based. The goal is, as Jim Collins put it, “To make people follow – when they have the freedom not to.” The strength of the mission, the vision and the values of the organization become quite clear in this process. Nothing can be done halfheartedly – something the members of the organization would not tolerate. For executives in NPO’s, the primary result of this challenge is that they must abandon their illusions of control.

NPO's are characterized by an exceptional ability to understand complexity in their environment and tolerate ambiguity within their organizations. When it comes to such complex topics as "global human rights," Amnesty International must perceive and discern an infinite amount of information in the environment and convert it into signals that can be understood within the organization. This information must then be used to create value, i.e. in the form of campaigns. In turn, these campaigns must be monitored to determine if they are being read, noticed and understood by the target group. That is a highly complex task and it can only be mastered by NPO's – precisely because their internal organization is not trivial, because it accurately reflects the same complexity found in the "outside" world. Very few things are decided too early or by a small number of individuals alone. Many things are coordinated jointly, often with great effort.

What else is important in leading an NPO?

It is extremely important to understand the often greatly varying stakeholder/interest groups in the environment, to take them seriously and to integrate them into the value-creation process. That means one must be able to juggle entirely different universes of purpose. You may have a meeting with a patron in the morning, have to clear up difficulties within a group of artists over lunch, and then represent the organization to the regional artists' association in the afternoon. In terms of complexity management, very few for-profit organizations can keep up here.

Are for-profits easier to lead?

Above all else, they must be led differently. The sense of purpose and the reduction of complexity work differently here than in NPO's. Stock prices, net sales, unit numbers and processing times are indeed important, but so are satisfying interest groups, positioning oneself politically and remaining attractive for potential sponsors.

So numbers play a different role?

Absolutely. For-profit organizations have their own characteristic figures to which their activities are tailored: viewing rates, units sold, customer numbers. When you open a morning meeting with a "27.8" in a listed company, than everyone knows what you mean.

Things are not quite as easy for NPO's in this regard?

NPO's must safeguard their reason for existence in a different way, by continually discussing and negotiating it. In a sense, NPO's never arrive at their destination. The advantage of this that the identity of the organization is being continually adapted to the environment and updated in keeping with the current situation, meaning that the non-profit stays flexible. It stays in motion and relies less on past successes. This also means, however, that non-profits must be able to support and not quell dynamic discussion within the organization. In other words, they must permit institutionalized brooding.

Once again the direct question: What can for-profits learn from NPO's?

In terms of society as a whole: to view their own business from a broader perspective. NPO's can teach for-profits that they must understand society in order to a) find their role there and b) negotiate this role through a dialogue. NPO's do just that all the time.

What else?

Passion and enthusiasm for the organization. A passion for the brand, if you will. For-profits must often use artificial means to instill a sense of passion in their employees. NPO's can teach for-profits that passion needs room to breathe. True enthusiasm is communicated through living out the organization's fundamental values, and the employees are the most important ambassadors of these values. Above all else, fostering individuals' enthusiasm for the brand means letting them grow and not undermining them.

In concrete terms: When for-profits become true global organizations with good global citizens as employees, they can offer their employees more than just slivers of brands and fragments of values. In other words, not corporate social responsibility but global citizenship embedded in a foundation of value creation. Complex though it is, that phrase needs no explanation to the majority of NPO's, it is a matter of course for them.

So everything is perfect at NPO's, they are doing everything right?

Of course not. Even in NPO's, especially the larger ones, the workers are faced with enough stumbling blocks. One often hears laments such as: "I thought I could do something good for the world, but now I have to fill out this form here." At NPO's, however, you can always peer through the fog of organizational rules and procedures and look at the people on whose lives you have had a direct positive impact. If that doesn't provide a sense of purpose, I don't know what does.

Is it correct to say that the more complex and complicated political and social environments become for profit-making corporations, the more they can learn from NPO's?

In principle yes, because coping with complexity is precisely what NPO's do.

You say that NPO's prefer entirely different types/styles of communication? Which styles are these and why do NPO's prefer them?

For-profits prefer targeted management communication. Communication usually serves to promote the company's clearly defined goal and is organized around core and supporting value-creation processes.

And this style is not open enough?

It is open, but strongly oriented towards markets, customers and profit, which makes sense. Certain social issues can only be taken into indirect consideration. Decision-making power is even more important than factors such as dynamic discussion and the ability to engage in dialogue. The ability to judge the quality of a product, the speed of a process, a certain service or costs is crucial – that is a key competence of for-profit organizations. That is ultimately exactly what one learns in business school – how to judge organizational value.

In order to take maximum complexity into consideration, however, NPO's judge things differently. They ponder decisions for a long time and reach a conclusion only after waiting to be certain that all knowledge and information has been taken into account. For-profits make quicker decisions in order to avoid the costs that would be generated if the issue were left open. They reverse these decisions far less often as well. NPO's are more like a swarm of bits and bytes of information that somehow moves in the "right" direction in the end.

Is it correct to say that real dialogues are possible in NPO's?

NPO's naturally also have communication closely centered around value creation. However, as a result of their broader horizons, NPO's have a greater bandwidth of topics that can be addressed. Internally, this often leads to complexity that drives things to the verge of collapse. Topics such as "poverty in Nicaragua" are so extremely complex that it is no longer possible for one individual alone to fully understand them. Everyone has to participate, because these issues are dynamic and continually changing. The flow of communications within the NPO must somehow bring the flow of these thematic issues into perspective. This is what makes communication in an NPO so incredibly complex but at the same time capable of adapting the complexity of solutions to the "outside" world. An excellent culture of dialogue is therefore essential.

So NPO's are especially good at participation – an area in which for-profits have some catching up to do?

Yes, and the small, truly community-based NPO's – the "grassroots" so to speak – are naturally especially good at it. In the palaver huts of Africa, e.g. among the Togunas in Mali, the entire community takes part in the palaver when there is something important to be discussed. The most important part of listening in this type of discussion is to withhold making a personal judgment and take part in the greater whole being created among the participants. If you try that at a meeting on a certain issue here, if everyone withholds their judgment for a little while, then you will notice that something develops in the room that no one has yet put into words, something greater, something transcendent. At the end of a truly good palaver, the communal consensus created results in everyone knows what must be done without anyone having reached a decision. Totally fascinating!

In summary, withholding judgment, understanding and listening are things that NPO's can generally do better than for-profits. That may have the negative effect of creating a culture of consensus and of immensely time-consuming procedural loops, but it also yields something highly productive, which is much less common in for-profits.

You introduced the term "context designer" in the field of knowledge and leadership. What does it mean? Do executives have to be context designers?

Yes, absolutely. Increasingly, executives must have the ability to create contexts, to construct frameworks that make it possible to tap the potential in people and organizations. The goal is to empower individuals to learn, to acquire knowledge, to offer them systematic opportunities to learn as well as to disseminate their knowledge to others. In order to do so, the context designer must encourage a mindset that promotes dissemination of knowledge. He or she must develop rules for in-house knowledge organization. These include such factors as integrity in handling knowledge belonging to others, correct citing of sources, isolating of knowledge thieves, writing the name of the person who came up with the idea on the PowerPoint chart, etc. The context designer shapes the foundation for working with knowledge.

Do you enjoy learning yourself?

Very much so.

Whom do you enjoy learning from the most?

I learn a lot from my children. My daughter is five and my son is three. They are currently in the process of constructing their own systems of reference for the world: what is good, what is right, what is beautiful, how does everything work? When I explain something, I automatically have to examine my own systems of reference. You think twice about everything that you tell the children and then you notice how insufficient your hypotheses and theories about the world are.

I systematically delve deeper when I notice that something is unpleasant for me. In so doing, I usually follow the rule: Always go where the fear is. The same holds true from an entirely professional standpoint, in terms of lessons learned, post-action reviews, etc. I derive great benefit from always taking a closer look at what didn't work and where problems arose.

I naturally also learned a great deal in the five years I spent working in Nelson Mandela's office.

Thank you very much, Mr. Roehl.