

*ELŻBIETA WEISS*

Wyższa Szkoła Finansów i Zarządzania w Warszawie

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## ORGANIZATIONAL CONDITIONS OF CRAZY ORGANIZATION'S DEVELOPMENT IN THE CONTEXT OF THE BUSINESS VALUE

### 1. Introduction

The basis for the success of any organization is hard work involved and satisfied employees who will be sure about: employment, promotion, confidence, respect of employers and participation in major decisions. There is no doubt that the future will be dominated by these organizations, which will have the best professional staff, fond of work and capable to identify with the work climate. A very important issue is to use the human intelligence (intellectual capital) as part of the company.

This intelligence is associated with the ability to engage their knowledge and intuition in problem solving and the ability to absorb the events and phenomena perceived in the environment. Professional success can be guaranteed for these, who in addition to innate intelligence and expertise knowledge, are able to use emotional intelligence which is necessary for conflict-free labor relations, conducive to initiate and accept the changes, perceiving their own mistakes and adapt to new situations that arise in the process of implemented changes.

These types of units are successful in the functioning of crazy organization. This organization in the era of technological development becomes one of the most popular management concepts. This type of organization is not about products but about thought processes, thus stops to specialize in the production and begins to specialize in specific processes.

The article highlights the functioning elements of the crazy organization and the role of knowledge and particularly focuses on the importance of internal factors shaping its environment and changes that occur in it. Crazy organization is the new solution and its main advantage is rapid adaptation to external conditions of functioning.

### 2. The issue of crazy organization

Many people in organizations feel discouraged and fearful about the future. Despair only increase as the fads fly by, shorter in duration, more costly in each attempt to improve. The best efforts to create significant and enduring organizational change have resulted in so many failures. We, and our organizations, exist in a world of constant evolutionary activity. Change seems to be so unnatural in human organizations.

According to M.J. Wheatley and M.K. Rogers the accumulating failures at organizational change can be traced to a fundamental but mistaken assumption that organizations are machines. Organizations-as-machines is a 17th century notion, from a time when philosophers began to describe the universe as a great clock. Our modern belief in prediction and

control originated in these clockwork images. Cause and effect were simple relationships. Everything could be known. Organizations and people could be engineered into efficient solutions. Three hundred years later, we still search for "tools and techniques" and "change levers"; we attempt to "drive" change through our organizations; we want to "build" solutions and "reengineer" for peak efficiencies<sup>1</sup>.

But why would we want an organization to behave like a machine? Machines have no intelligence; they follow the instructions given to them. They only work in the specific conditions predicted by their engineers. Changes in their environment wreak havoc because they have no capacity to adapt.

Nowadays, a different ideal for organizations is surfacing. Organizations have to be adaptive, flexible, self-renewing, resilient, learning, intelligent-attributes found only in living systems. The tension of our times is that we want our organizations to behave as living systems, but we only know how to treat them as machines.

It is time to change the way of thinking about organizations. Organizations are living systems and just like all living systems have the capacity to *self-organize*, to sustain themselves and move toward greater complexity and order as needed. They are able to respond intelligently to the need for changes. They organize and then reorganize themselves into adaptive patterns and structures without any externally imposed plan or direction.

Self-organizing systems also called crazy organization have what all leaders crave: the capacity to respond continuously to change. In these systems, change is the organizing force, not a problematic intrusion. Structures and solutions are temporary. Resources and people come together to create new initiatives, to respond to new regulations, to shift the organization's processes. Leaders emerge from the needs of the moment. There are far fewer levels of management. Experimentation is the norm. Local solutions predominate but are kept local, not elevated to models for the whole organization. Involvement and participation constantly deepen. These organizations are experts at the process of change. They understand their organization as a process of continuous organizing.

Crazy organization offers hope for a simpler and more effective way to accomplish work. It challenges the most fundamental assumptions about how organization happens and the role of leaders. But it is not a new phenomenon. We have lived our entire lives in a self-organizing world. We watch self-organization on TV in the first hours after any disaster. People and resources organize without planning into coordinated, purposeful activity.

Leaders emerge and recede based on who is available and who has information. Everything happens quickly and a little miraculously. These self-organized efforts create effective responses long before official relief agencies can even make it to the scene. In the history of organizational theory, people have commented self-organization for many years. Years ago, we called it the "informal organization." This was a description of what people did in order to accomplish their work. Often people ignored the formal structures, finding them ineffective and unresponsive. They reached out for the resources and relationships they needed; they followed leaders of their own choosing, those they knew they could rely on<sup>2</sup>.

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<sup>1</sup> M.J. Wheatley, M.K. Rogers, *The Irresistible Future of Organizing*, Human Factors, July/August 1996, p.445-446.

<sup>2</sup> G. Yukl, *Leadership in Organization* 7<sup>th</sup> edition, Prentice Hall, New Jersey 2010, p. 22-31.

A more recent description of self-organization or crazy organization is found in "communities of practice." These communities are webs of connections woven by people to get their work done. For example, technical people reach out, both within and beyond their company, to find answers to technical questions. Over time, they develop new knowledge that benefits the company and also find supportive colleagues.

The Worldwide Web is the most potent and visible example of a self-organizing network forming around interests, the availability of information, and unbounded access to one another.

While there are many other examples of crazy organization occurring in our midst, including well-documented experiences with self-managed teams, we will simply note that crazy organization is not a new phenomenon. It has been difficult to observe only because we weren't interested in observing it. But as we describe organizations as living systems rather than as machines, crazy organization becomes a primary concept, easily visible.

In the natural sciences, the search to understand crazy organization derives from a very large question. How does life create greater order over time? Order is the unique ability of living systems to organize, reorganize, and grow more complex. Order is not predesigned or engineered from the outside. The system organizes itself. We live in a universe where we get "order for free."

Social insects, bird flocks, schools of fish, human traffic jams, all exhibit well-synchronized, highly ordered behaviors. Yet these sophisticated movements are not directed by any leader. Instead, a few rules focused at the local level lead to coordinated responses. There is never a rule about a leader or direction. The rules focus only on an individual's behavior in relation to its neighbors. Synchronized behavior emerges without orchestrated planning. A startling example of complex and coordinated behavior emerging without leaders or plans is found in the world of insects. They are engineering marvels, filled with intricate chambers, tunnels, arches, and air-conditioning and humidifying capabilities. They observe what others are doing and coordinate their own activities with that information without blueprints or engineers.

Whether they are insects or humans, the conditions that create organization are the same. Individuals are similarly focused. Members develop connections with one another. Each determines its behavior based on information about what its neighbors are doing and what the collective purpose is. From such simple conditions, working communities emerge, self-organizing from local connections into global patterns and processes. Nothing is preplanned; patterns of behavior emerge that could not be predicted from observing individuals.

If complex systems emerge from simple initial conditions, then human organizations similarly can be rooted in simplicity. It can be said that the simple conditions support an organization's capacity to access its intelligence and to change as needed. We have seen evidence of these conditions in a wide variety of settings: in world-wide manufacturers, in schools, in experiments with future battle strategy. Organizations assume different forms, but they emerge from fundamentally similar conditions. Networks of relationships take form. Information is noticed, interpreted, transformed. From these simple dynamics emerge widely different expressions of organization. We have identified three primary domains: identity, information, and relationships<sup>3</sup>.

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<sup>3</sup> G. Yukl, *op.cit.*, p. 229-237.

### 3. The way of crazy organization functioning

How does a crazy organization spin itself into existence? All organizing efforts begin with an intent, a belief that something more is possible if the group is together. Organizing occurs around an identity that gets organized. Once this identity is set in motion, it becomes the sense-making process of the organization. In deciding what to do, a system will refer back to its sense of self. People interpret events and data according to who they think they are. People never simply "know" the world; they create worlds based on the meaning they invest in the information which has been chosen to notice. Thus, everything people know is determined by who they are.

As human beings create perceptions of the world, they primarily use information that is already in them to make sense of something new. This explains why organizations reject reports and data that others assume to be obvious and compelling. A system will be disturbed by information based on what's going on inside the organization- how the organization understands itself at that moment. This maxim also explains why organizations are never changed by assembling a new set of plans, by implementation directives or by organizational restructurings.

The crazy organization references include its vision, mission, and values. A crazy organization's identity includes current interpretations of its history, present decisions and activities, and its sense of its future. Because identity is the sense-making capacity of the organization, every organizing effort- whether it is the start-up of a team, a community project, or a nation- needs to begin by exploring and clarifying the intention and desires of its members<sup>4</sup>. Most organizing efforts do not begin with a commitment to creating a coherent sense of identity. Yet it is this clarity that frees people to contribute in creative and diverse ways. Clear alignment around principles and purposes allows for maximum autonomy. People use their shared sense of identity to organize their unique contributions. Organizations lose an enormous organizing advantage when they fail to create a clear and coherent identity. In a chaotic world, organizational identity needs to be the most stable aspect of the endeavor.

Structures and programs come and go, but an organization with a coherent center is able to sustain itself through turbulence because of its clarity. Organizations that are coherent at their core move through the world with more confidence. Such clarity leads to expansionary behaviors; the organization expands to include those they had kept at a distance- customers, suppliers, government regulators, and many others.

Information lies at the heart of life of every organization. Life uses information to organize itself into material form. Complex, living systems thrive in a zone of exquisitely sensitive information-processing, on a constantly changing edge between stability and chaos that has been dubbed "the edge of chaos." In this dynamic region, new information can enter, but the organization retains its identity. Contradicting most efforts to keep organizations at equilibrium, living systems seem to seek this far from- equilibrium condition to stay alive. If a system has too much order, it atrophies and dies and if it lives in chaos, it has no memory.

Organizations flounder because their sophisticated information and measurement systems created a sense of internal order while failing to look at critical new information. And

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<sup>4</sup> M. J. Wheatley, *Leadership and the New Science: Discovering Order in a Chaotic World*, Berrett -Koehler Publishers; 3rd edition, San Francisco, California 2006, p. 83-85.

many businesses move into new markets and businesses chaotically, with no experience to manage them effectively. Information that flows openly through an organization often looks chaotic. But it is the nutrient of self-organization. Only when information belongs to everyone people can organize rapidly and effectively around shifts in customers, competitors, or environments.

People need access to information that no one could predict they would want to know. When information is available everywhere, different people see different things. Those with a more strategic focus will see opportunities that others cannot discern. Those on a production line similarly will pick up on information that others ignore. There is a need for many more eyes and ears, for many more members of the organization to "in-form" the available data so that effective self-organization can occur. But it is information- unplanned, uncontrolled, abundant, superfluous--that creates the conditions for the emergence of fast, well-integrated, effective responses<sup>5</sup>.

#### **4. Relationship in crazy organization**

Another crucial factor in a crazy organization is relationship. Relationships are the pathways to the intelligence of the system. Through relationships, information is created and transformed, the organization's identity expands to include more stakeholders, and the enterprise becomes wiser. The more access people have to one another, the more possibilities there are. Without connections, nothing happens. Organizations held at equilibrium by well-designed organization charts die. In self-organizing systems, people need access to everyone; they need to be free to reach anywhere in the organization to accomplish work. To respond with speed and effectiveness, people need access to the intelligence of the whole system. People need opportunities to "bump up" against others in the system, making the unplanned connections that spawn new ventures or better integrated responses.

Where members of an organization have access to one another, the system expands to include more and more of them as stakeholders. Customers engaged in finding a solution become less insistent on perfection or detailed up-front specifications. Colleagues linked by a work project become more tolerant of one another's diverse lives. Because domains of identity, information, and relationships operate in a dynamic cycle so intertwined that it becomes difficult to distinguish among the three elements. New relationships connect more and more of the system, creating information that affects the organization's identity. Similarly, as information circulates freely it creates new business and propels people into new relationships. As the organization responds to new information and new relationships, its identity becomes clearer at the same time that it changes.

As it was stated crazy organization is not new in our experience of organizations, it just takes different eyes to see it. Crazy organization has been going on all the time, but attention has been diverted to perfecting the controls and mechanisms that were making work happen. Most people are using information, relationships, and identity to get work done. They work with whatever information is available, but it is usually insufficient and of poor quality. If they need more, they create misinformation and rumors. But always they are organizing around information. People also work with whatever relationships the system allows, often going around the system to make critical connections. Most people know which relationships would bolster their effectiveness, although this awareness may be

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<sup>5</sup> M. J. Wheatley, *op. cit* p. 165-171.

voiced only as complaints. And as they do their work and make decisions, employees reference the organizational identity that they see and feel—the organization's norms, unspoken expectations, the values that get rewarded<sup>6</sup>.

When errors or problems occur, the real work is to look into the domains of crazy organization and determine what's going on at this subterranean level. In crazy organizations, problems show up in behaviors, processes, or structures. Once people diagnose the problem, their collective practice has been to substitute new behaviors, new structures, new processes for the problematic elements. But this seldom works. The problems that they see in organizations are artifacts of much deeper dynamics occurring in the domains of information, relationships, or identity. If they can inquire at this deeper level, if they can inquire into the dynamic heart of organizing, both the problem and the solution will be discovered.

If self-organization already exists in organizations—if people are naturally self-organizing—then the challenge for leaders is how to create the conditions that more effectively support this capacity. But they also play a very important role in crazy organizations. Leaders are an essential requirement for the move toward crazy organization. This is not laissez-faire management disguised as new biology. Given existing hierarchies, only leaders can commit their organizations to this path. But their focus shifts dramatically from what has occupied them in the past. Leaders begin with a strong *intention*, not a set of action plans. Leaders also must have confidence in the organization's intelligence. The future is unknown, but they believe the system is talented enough to organize in whatever ways the future requires. This faith in the organization's ability and intelligence will be sorely tested.

When there are failures, pressures from the outside, or employee problems, it is easy to retreat to more traditional structures and solutions. The path of self-organization offers ample tests for leaders to discover how much they really trust their employees. Employees earn trust, but leaders create the circumstances in which such trust can be earned and employees often have to be encouraged to exercise initiative and explore new areas of competence. Not only do leaders have to let go and watch as employees figure out their own solutions, they also have to shore up their self-confidence and encourage them to do more.

Crazy organization does not mean that workers instead of managers engineer an organization design. It does not mean letting people do whatever they want to do. It means that management commits to guiding the evolution of behaviors that emerge from the interaction of independent agents instead of specifying in advance what effective behavior is.

Crazy organizing teams are not free from management control. Management chooses for them what product to build or often chooses who will work on their project, but they are nonetheless self-organizing. According to Takeuchi and Nonaka—subtle control is also consistent with the self-organizing character of project teams<sup>7</sup>. Management's task is to come up with appropriate challenges and remove impediments to self-organization.

Leaders influence teams in subtle and indirect ways. It is impossible for a leader to accurately predict how a team will respond to a change, whether that change is a different

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<sup>6</sup> J. C. Collins, J. I. Porras, *Built to last: Successful Habits of Visionary Companies*, Harper Business, New York 1993, p.25 – 36.

<sup>7</sup> I. Nonaka, H. Takeuchi, *The knowledge creating company, How Japanese companies create the Dynamics of Innovation*, Oxford University Press, Oxford 1995, p. 71-76.

team composition, new standards of performance, a vicarious selection system, or so on. Leaders do not have all the answers.

### 5. The features of crazy organization

Organizations have many forms, but emerge from fundamentally similar conditions. A *self* gets organized. A world of shared meaning develops. Networks of relationships take form. Information is noticed, interpreted, transformed. From these simple dynamics emerge widely different expressions of organization. The table 24 presents the main features of crazy organization.

*Table 1. Features of crazy organization*

<b>Feature</b>	<b>Role</b>	<b>Meaning</b>
<b>Identity</b>	<b>the sense-making capacity of the organization</b>	Identity is the organization's sense of self, the touch point for all decisions and the collective organization knowledge of who it is. This sense of self, i.e. identity, includes vision, mission, values, and plus factors related to the path the organization is on. This includes interpretations of its history, present decisions and activities, and its sense of the future.
<b>Information</b>	<b>the medium of the organization</b>	Information is the nutrient of self-organization. An organization that eschews power and status to impose order for self-organizing principles to create order, information becomes the medium of the organization. Only when information belongs to everyone can people organize rapidly and effectively around shifts in customers, competitors, and environments. People need access to information that no one could predict they would want to know.
<b>Relationships</b>	<b>the pathways of organization</b>	Relationships between the members of the organization creates and transforms information, the organization's identity expands to include more stakeholders, and the organization becomes wiser. The more access people have to one another, the more possibilities there are. Seeking to achieve equilibrium though rigid organization charts stifle an organization's ability to develop.
<b>Dynamics</b>	<b>the possibility of being flexible</b>	New relationships connect more and more of the system, creating information that affects the organization's identity. As information circulates freely, it creates new business and propels people into new relationships. As the organization responds to new information and new relationships, its identity becomes clearer at the same time that it changes.
<b>Leadership</b>	<b>predicting and coordinating tasks</b>	Leaders create the conditions that support self-organization. The path of self-organization cannot be known ahead of time. There are no prescribed

		<p>stages or models. Therefore, leaders begin with <i>intentions</i>, not action plans. Leaders also must have confidence in the organization's intelligence to organize in ways beneficial to the organization's future. Not only do leaders have to let go and watch as employees figure out their solutions, but they also have to shore up their self-confidence and encourage them to do more.</p>
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Source: own.

Crazy organization is very flexible and quickly reacting. Its structure is ready to response the demands of the market and the customers. It is possible because people in crazy organization have possibility to take part in creating the mission and vision of its development and implementation of innovations. Staff is an integral part of this kind of organization and should represent features presented in the table 25.

**Table 2.** Staff features in crazy organization

<b>STAFF</b>	
<b>As individuals</b>	<b>As a group</b>
<ul style="list-style-type: none"> <li>▪ Having fun together- crazy organization work group members often stop seeing their work as work at all</li> <li>▪ Releasing their personal attachment to ideas</li> <li>▪ Becoming more spontaneous, creative, and innovative</li> <li>▪ Seeing themselves from new perspectives and expanding what they are capable of</li> <li>▪ Becoming more aware of who they are and the value they bring as individuals</li> <li>▪ Recognizing that impactful work, groups, and experiences start with them</li> <li>▪ Seeing when it is time to let go of their current work and consciously transitioning</li> <li>▪ Striving to create and spread the “magic” they found as part of the group with other people/groups they’re part of and after the group’s lifetime</li> <li>▪ Seeing that their legacy is greater than they imagined as an individual</li> </ul>	<ul style="list-style-type: none"> <li>▪ Becoming increasingly aware of who they are and the value they bring as a group</li> <li>▪ Co-creating successful situations</li> <li>▪ Sustaining themselves from within</li> <li>▪ Limiting their own growth to a healthy pace and expanding in proportion to members</li> <li>▪ Improving the work and the job satisfaction of group members and many nearby others</li> <li>▪ Demonstrating to people that their limitations are opportunities for greater connection and not the drawbacks they previously imagined</li> <li>▪ Demonstrating ways of working, thinking, and being together that help individuals to feel as welcome, safe, creative, spontaneous, and innovative</li> <li>▪ Fostering wonder - generating multiple unanticipated organizational benefits that group members themselves did not anticipate or plan for</li> <li>▪ Demonstrating that what matters most is inside everyone, not just a lucky few</li> </ul>

Source: own.



To sum up we can say that crazy organization it is such an organization which is becoming increasingly aware of who they are and the value the organization brings to its field, discipline, area, customers and partners. This organization gracefully lets go of ideas and work that no longer serve the organization and delights the people or organizations working with and served by the organization. Crazy organization naturally reorganizes from within, saves time and money. Crazy organization generously lets go of people who have grown so much within them that they are ready to move on and maintains connections with people years after they no longer work with/for the organization.

## 6. Conclusion

As it was stated challenges of modern technology and global economy enquire new methods of management and functioning on the business market. Only ability of being flexible and ready to implement new processes and technologies can be the base which leads to successful work in global and continuously environment. Crazy organization then can be understood as the one of the forms of business which is able to survive in the time of crises and difficult economical situations.

## 7. Literature

- [1] Collins J. C., Porras J. I., *Built to last: Successful Habits of Visionary Companies*, Harper Business, New York 1993.
- [2] Nonaka I., Takeuchi H., *The knowledge creating company*, How Japanese companies create the Dynamics of Innovation, Oxford University Press, Oxford 1995.
- [3] Wheatley M. J., *Leadership and the New Science: Discovering Order in a Chaotic World*, Berrett -Koehler Publishers; 3rd edition, San Francisco, California 2006.
- [4] Wheatley M.J., Rogers M.K., *The Irresistible Future of Organizing*, Human Factors, July/August 1996.
- [5] Yukl G., *Leadership in Organization* 7<sup>th</sup> edition, Prentice Hall, New Jersey 2010.

## ORGANIZACYJNE UWARUNKOWANIA ROZWOJU CRAZY ORGANIZACIOW W KONTEKŚCIE WARTOŚCI FIRMY

### Streszczenie

*Podstawą sukcesu każdej organizacji jest rzetelna praca zaangażowanych i zadowolonych pracowników, którzy będą mieć: zatrudnienie, pewność awansu, szacunek pracodawcy i udział w ważnych decyzjach. Nie ulega wątpliwości, że przyszłość zdominują te organizacje, które będą mieć najlepszy kompetentny personel, lubiący swoją pracę i potrafiący identyfikować się z klimatem pracy. Bardzo ważną kwestią jest spożytkowanie inteligencji ludzkiej(kapitału intelektualnego) jako elementu wartości przedsiębiorstwa. Inteligencja ta kojarzy się ze zdolnością zaangażowania posiadanej wiedzy i intuicji w rozwiązywanie problemów oraz umiejętnością przyswajania zdarzeń i zjawisk postrzeganych w otoczeniu. Na sukces zawodowy mogą liczyć te jednostki, które oprócz inteligencji wrodzonej oraz specjalistycznej wiedzy potrafią wykorzystać inteligencję emocjonalną, która jest niezbędna w bez-konfliktowych stosunkach pracy, sprzyja inicjowaniu i akceptowaniu zmian,*

*dostrzeganiu własnych błędów i przystosowaniu się do nowych sytuacji, jakie powstają w procesie przeprowadzanych zmian.*

*Tego typu jednostki odnoszą sukces w funkcjonowaniu crazy organization. Organizacja ta w dobie rozwoju technologicznego staje się jedną z popularniejszych koncepcji zarządzania. Tego typu organizacja nie myśli o produktach a o procesach, dzięki temu przestaje się specjalizować w określonej produkcji, a zaczyna specjalizować się w określonych procesach.*

*W artykule zwrócono uwagę na elementy funkcjonowania crazy organization i znaczenie znajomości czynników kształtujących jej wewnętrzne otoczenie i zmiany, które w niej zachodzą. Crazy organization stanowi rozwiązanie nowe a jej podstawową zaletą jest szybkie adaptowanie się do zewnętrznych warunków funkcjonowania.*

**Słowa kluczowe:** organizacja zmienna, przywództwo, elastyczność, samoorganizacja, rozwój, efektywność.

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