

ENTERPRISE SOCIAL SYSTEMS THEORY

Enterprise Social Systems is a simple business value oriented Organizational theory proposed by Erich Bühler in 2013. An **Organizational theory** consists of approaches to organizational analysis.

Organizations are defined as social units of people that are structured and managed to meet a need, or to pursue collective goals.

Unlike the **classical theory** which focuses on the interactions of machines and human beings as components of the organization and the **new-classical theory** which focuses on the physiological and mechanical variables of the organization, the **Enterprise Social Systems** theory is based on 4 fixed areas (Social System, Mindset, Formal Organization and Value Creation) with a strong focus on **Business Value**.

Their main hypothesis is that **Business Value** is a key element and that the increase in how the relevant information flows the system will impact learning, knowledge retention and finally business value. The Theory assumes that all kinds of organization produce business value.

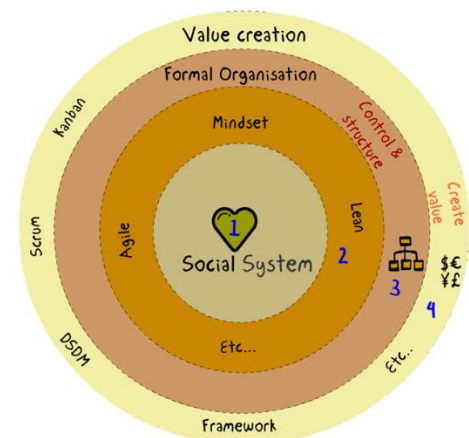
This theory should not be confused with the System's theory proposed by **Ludwin von Bertalanf** (1928), even some concepts could be related or have a similar name.

The **Enterprise Social Systems** theory place a special focus on the "relevant information" which means the **value stream** or **value network** that an employee belongs to.

The **value network** is the outcomes of all the associated activities that materialize a service or produce a specific good. In here, each person in the organization belongs to one or more value networks.

This theory sees the company as 4 different and interconnected layers.

1. Social Systems
2. Mindset
3. Formal Organization
4. Value creation



Enterprise Social Systems

According to this organizational theory, the **Social Systems** are in the center of any organization.

1. Social Systems

The Social Systems basically focus on the way that people communicate, behave, interact, collaborate and learn. The **Social Systems** also include the way in which people socially

carry out their tasks, make their processes visible and rules related to transparency. The **Social Systems** are measured by **Enterprise Social Density, Enterprise Blocking Collaboration and Enterprise Social Visibility**. This layer is specially impacted by the **Sense of Urgency**, number of people in the organization, strategy and cultural beliefs or patterns.

2. Mindset

The layer surrounding the social model is called Mindset and represents the foundations, beliefs and abstract ideas that the company holds about its reality. They can be evolutionary, for the case of an enterprise that has been growing in time, they can be learned, as in the case of well-known mindsets such as Lean and Agile, or inherited.

3. Formal Organization

The third layer is called **formal organization**. Herein lie the hierarchical structures and artifacts which control information and how data coming from the other layers is shaped. The **control artifacts** include the structures that support how people, resources and time are controlled. The objective for this layer is not to create business value for customers but to protect the company's structures from changing too quickly and make sure they operate as efficiently as possible. Any change in the hierarchical structures or ways of control will directly affect this layer.

4. Value Creation

The last layer is where the value for customers is created as also as the processes supporting it. It focuses on taking care of the client but not to sustain the company's structures. Frameworks such as Scrum, Kanban, SAFe, Waterfall or any other framework or methodology reside in here.

The value creation layer is impacted by the type of framework used, the way in which work queues and batches are organized and their size, their proprietary definition for Business Value, number of people in the company, etc.

It is important to see the dichotomy and tension existing between the above mentioned layers as they are interdependent.

Measurement

As the hypothesis for the **Enterprise Social Systems** theory is that increasing the relevant and informal communication between employees in an environment where they feel safe will increase learning, knowledge retention and finally business value, the main measurements are based on elements which impact the information flow in the **value network**. The author suggests the following metrics to measure the **Social Systems**:

1. Enterprise social density (ESD)

Enterprise Social Density measures the flow of relevant information in company or value network. The definition for ESD is as follows:

Flow of relevant, honest, informal, and effective information between people in an organization in an environment where they feel safe.

2. Enterprise Blocking Collaboration (EBC)

This organizational theory distinguishes between two types of collaboration:

- A. **Positive collaboration** (improves the way in which value is created for customers inside the organization)
- B. **Blocking collaboration** (deminishes the way in which value is created for customers inside the organization)

It is possible to see companies with very high levels of collaboration but with a negative effect on the flow of relevant information (Enterprise Social Density) and Business Value. This is what is initially considered when measuring the **Enterprise Blocking collaboration (EBC)**:

Some good behaviors deteriorate your organization	Pattern
	Handing over work to someone who is at over 90% capacity
	Collaborating with a person using high level of multitasking
	Performing collaborative tasks when you are at over 70% of personal capacity
	Cooperating intensely to create reports that provide no value to the customer (vanity reports)
	Cooperating with the development of a product between parties that do not communicate with each other or do so by exchanging documents/emails
	Actively collaborating to increase Bureaucracy or local optimizations
	Supporting a way of thinking that, compared to another, is shown to produce no value or generate less value than the first.

Table 1. Definition for Enterprise Blocking Collaboration

One of the biggest challenges for organizations is to distinguish between these different types of collaboration.

3. Enterprise Social Visibility (ESV)

ESV indicates the amount of relevant information which is passively received by employees in the workplace and that can potentially influence the **Business Value** produced. This theory assumes that rich social cues are constantly given and captured passively by employees through visual data and social confirmations. There are the 4 different components for ESV:

1. Public information radiators - panels (paper, boards, etc.) displayed publicly and visibly with relevant information. When physically updated, people around understand that something happened.
2. Social interactions – Recognized “standard” social forms in which people around interact (e.g. a handshake between two people, etc.), allowing knowledge to be gained about a situation, even if they are not part of it.
3. Recognition of facial expressions – Watching other individuals to judge their emotional state (e.g. a conversation that occurs in the distance but within the physical space of the receiver).
4. Observing actions and movements for recognition & prediction – Watching a group of people about to perform a specific task will form a link between the group and the knowledge expected as a result of the action.

The definition for **Enterprise Social Visibility (ESV)** as follows:

Information that is passively captured by people from the environment through social interactions, information radiators, and behavioural recognition of facial expressions

The **Social Systems** are also impacted by the level of **complexity** (organizational requirements) and **complication** (number of rules, processes, approval chains, etc.) in the Organization as well as other patterns related to the way that people are managed and how they learn, i.e. Permission to Learn (PTL).

4. Permission to Learn (Pattern)

Permission to Learn (PTL) is one of the patterns in the Social System which negatively affects most of their components. PTL is found in many organizations where employees are not empowered to self-organize with regards to their needs to acquire new skills. Where this pattern exists, management actively organizes what employees need in terms of skills, instead of allowing employees to self-organize around them.