

CIRCLE WITHIN A SQUARE PATTERN

Overview

The **Circle within the Square Pattern (CSP)** is a naturally occurring, generic structure that supports and promotes the Player Culture. This results in the lack of a coherent strategic vision for the firm, an inability to properly respond to changing market conditions, low morale, and brain drain.

The three elements that support the structure are an elitist inner circle, a rigid control structure, and a dogmatic and compliant corporate culture. Presented as a formula, it would appear as the following:

$$\text{CSP} = \text{S} + \text{R} + \text{C}$$

Where:

S = Secrecy

R = Rigidity

C = Conformity

THE CSP EXPLAINED

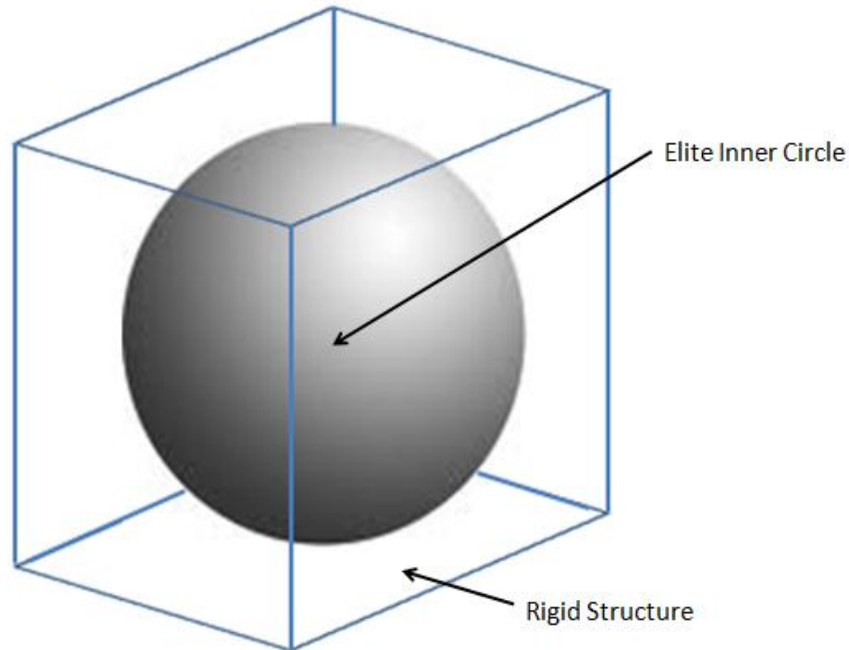
The Player Culture sets a dynamic in motion which I refer to as the **Circle within a Square Pattern**, through which the company spontaneously transforms into a kind of cult.

Circle

The senior managers, being Players, having aristocratic pretensions, have a natural tendency towards an autocratic management style, a lavish lifestyle, and to distance themselves from the day to day running of the company, preferring to focus on strategy and deal making instead.

Square

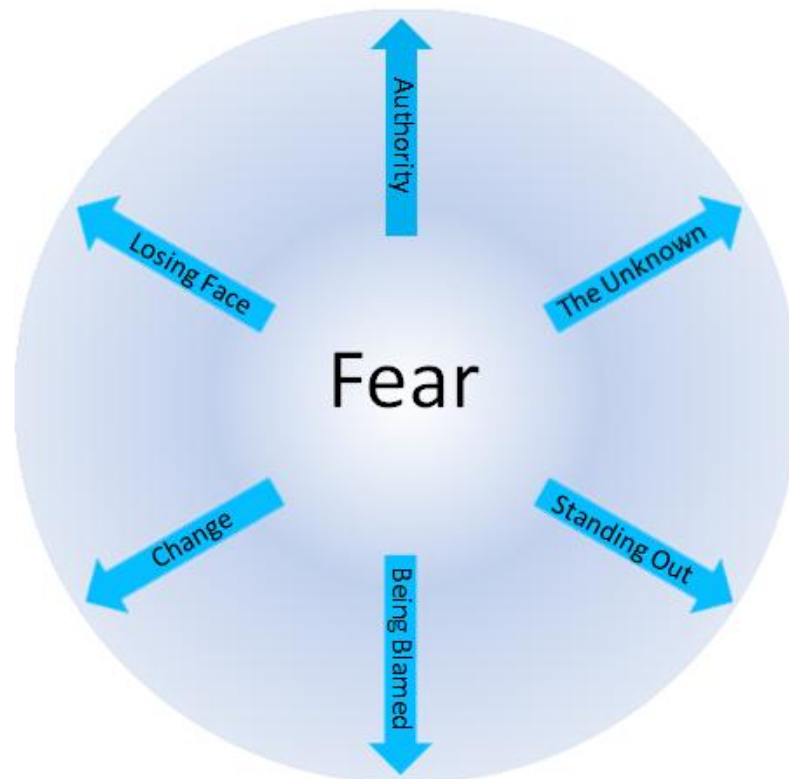
The corporate governance system, reflecting the autocratic style of the Players, becomes increasingly rigid, complex and dogmatic. A heavy emphasis is placed on compliance and accountability, discouraging free thinking and personal initiative in the process. This creates an atmosphere that is highly pressured, cold, and autocratic.



Corporate Cult

The combined effect of the circle and the square draws certain types of personalities towards it, while repelling others. Those drawn to it are more likely to be people who need a high degree of structure in their lives, like to be given precise instructions, and are typically risk averse.

Meanwhile certain other personality types, those who find the degree of conformity demanded, and the politics too oppressive, will withdraw or be passed over for promotion. These would include creative thinkers, free-spirits, and those with strong, but individualized moral convictions- all those who march to a beat of a different drummer. These are the Anti-players.



Impact on the Organization

The impacts of the CSP include the following:

1. **Lack of Leadership** – senior management is more focused upon strategy than on developing and preserving the key competitive advantage of the company.
2. **Rigidity** – the company becomes bureaucratic and overly focused on accountability causing and to be either too slow to respond over to all overreact in times of crisis.

3. **Brain Drain** – creative thinkers, free spirits, and those of strong moral conviction to do not fit into the corporate culture leaving the company vulnerable in times of crisis and volatility.
4. **Restricted Flow of Information** – the rigid structure restricts the flow of information up and across the organization chart. Meanwhile the cult-like atmosphere creates a uniformity of thought that filters out information that does not support if senior management’s strategic vision for the company.



Decline

These three phases represent a progression. Once all are in place, the loop is closed and the company is locked in to a certain set way of operating – it is effectively on autopilot, rigid and insular it becomes a world unto itself.

The impacts of the player culture are wide and varied, and grow with time. This includes every aspect of the functioning of the organization, thus it is impossible to produce a fully inclusive list; however the following is a listing of most of the main ones.

The grandiosity of the Players only grows with time creating an increasing pressure on the company to grow. Lacking any self correcting mechanism that would slow counteract this tendency, beyond a certain point the CSP is irreversible. It creates a vortex effect causing it to need more and more resources at an increasing rate. This causes a series of problems. Firstly, there this drive to expand puts pressure to expand in ways that stray from the core business, diluting its competitive advantages. This expansion places additional stress on financial and operational controls as well as on lines of communication within the firm. The inherent rigidity of the organization responds to this additional stress by becoming still more restrictive which further aggravates the problem. This feeds back into the system by creating further motivation to expand in order to balance itself.

The cumulative effect is a downward spiral that is like a vortex drawing more and more resources into it, at an ever increasing rate. The result is that by the time the company does fail, which beyond a certain point becomes inevitable, it will take down a number of partners, stakeholders, etc. with it.

As an additional note, the complete removal of the Anti-Players, means that in times of crisis there are none on staff who are capable of really analyzing the problems, coming up with original and creative solutions, or who have the strength of character to be the bearer of bad tidings or contradict the groupthink. This further limits the range of movement open to senior management in dealing with the situations as they arise. Not being up to the task they have a natural tendency to retreat further into the ivory tower, driving the downward spiral faster still.

