

Integrated Change for a Complex World

“We bear daily witness to the fact that time honoured approaches to strategic planning no longer work in today’s discontinuous world. If the future is no longer a linear progression of the past, then linear, deterministic, incremental thinking no longer suffices. In this environment, strategy can no longer be built from the inside out, tweaking yesterday’s assumptions for tomorrow’s business plan. And with the cycles of value creation rapidly shortening, companies that continue to play by the old rules risk over-inventing in an outdated business model, while ceding to upstarts the opportunity to build tomorrow’s. Errors are costly and difficult to overcome.”
(Mercer Management Journal, 2003)

“SARS is a perfect example of why traditional strategic planning does not work for economic development and most organisations and businesses any more. People get sick in China and the whole global economy is affected within a week or two – it’s the sort of thing that is completely unpredictable, it’s happening well outside your local area, and yet companies and organisations are being affected. Like it or not, we are all part of the global economy – if your business or organisation has not integrated that concept into your basic planning, you may be blindsided by the next global crisis.”
(Design Nine, April 2003)

“Traditional strategic planning still works for the things you can actually control. These include things like buildings, infrastructure, transportation systems, computer systems, and certain areas of finance and accounting. What these things all have in common is that they are nonliving. It is fairly easy to control nonliving things. It is fairly difficult to control living things, especially people, who have minds of their own and do not like being controlled, thank you.”
(Codynamics; 2003)

1. Introduction

Underlying these quotations there is a common theme – organisations are not predictable; ‘planning’ doesn’t seem to work any more; even the most respected pathways to success and growth (such as Jack Welch’s ‘GE way’) are seen to be flawed.

Against this background even many mainstream thinkers have begun to look for other ways to make sense of the new context – hence the interest in complexity theory. One indicator of this interest is the search engine Google, which currently lists 73,400 items under “complex adaptive systems” (up from 26,400 in 2003) and 349,000 under “complexity theory” (up from a mere 65,300 in 2003.)

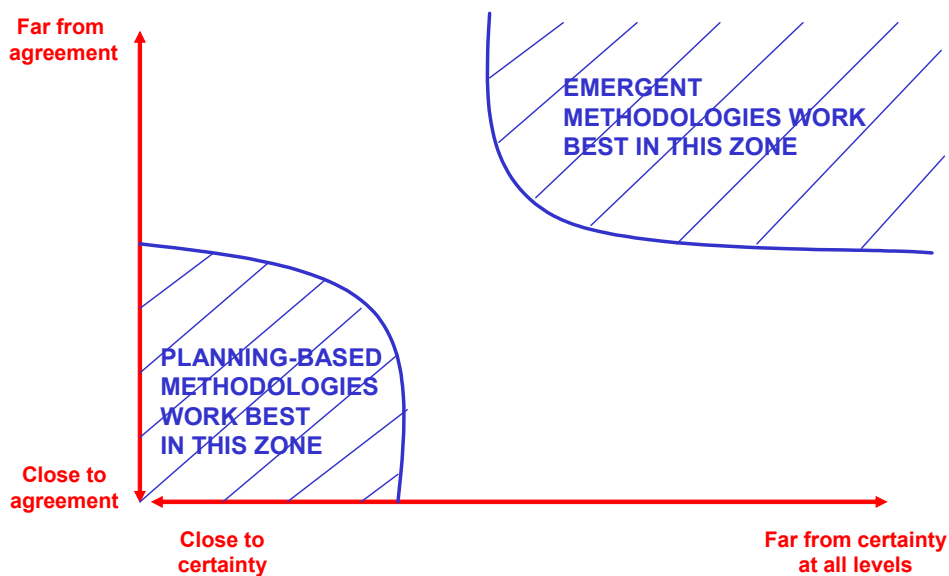
However, all this can be incredibly frustrating for senior executives because it’s not at all obvious how to translate some of these ideas into guides for action. And yet some organisations are finding ways to flourish and succeed in this new environment. What do they know that others don’t?

In this paper we will:

- Look at our own experience over the past 18 years of what has worked in this area
- Explore some of the main models that have been helpful
- Suggest some systematic ways for diagnosing and working with complexity in organisational systems: creating integrated change for a complex world

2. What have we found has been effective in working with complex change?

The impact of complexity: planned and emergent change



The above model suggests that there are two potential sources of difficulty for more traditional approaches to change:

- the complexity of both the task in hand and the business environment;
- the need to create a sufficient degree of ownership and alignment among key stakeholders so that there is buy-in to the direction to be taken.

When the score is low on both these dimensions, planned approaches to change are still viable.

However, as the business environment gets increasingly complex and as organisations get flatter – and therefore require increasing levels of ownership at all levels to enact change – a different set of approaches to change are required. Below we list a few of them that we have found useful in 18 years of experience with complex organisational change.

a. *Bring people together in new ways and across old boundaries: utilise intermediate structures and bounded spaces*

OK, control and planning have limited use, but if people just go on meeting in the same ways with the same people as before, then the end result will be what it has already been and no change will occur – however convincing the new direction may seem on paper. On the other hand, if we are clear where the new connections need to be made and the old ones broken – even if we don't know exactly how – then we can at least bring the right people together in circumstances favourable to them finding solutions that will work for them.

One can't guarantee that they will generate the right dialogue for the need in hand, but one can set up the conditions that make it possible and, conversely remove the conditions that make it impossible.

Example: European Business School

This is a project we completed recently with a European Business School. This school had been seeking to transform itself from a seller of open training programmes to individual managers, to a shift to higher value-add work with more senior executives and based on deeper longer-term relationships with organisational clients. However, the majority of faculty members were initially unwilling to give up the individual autonomy and freedom that control of their own courses had given them, in spite of recognising the need for this at successive faculty meetings. There was an implicit psychological contract – 'I will get bums on seats; in exchange, you, the management, will keep off my back.' A new psychological contract could lead to real benefits – for example, collaborative learning with colleagues and leading edge companies – but it was unfamiliar and it was resisted. The older culture pervaded the faculty and made it very difficult for the minority, who wanted to try something different, to emerge.

So long as faculty members went on meeting and discussing things in the ways they always did, nothing changed. The shift came when a small grouping of 7-8 committed people came together to form a Business Development Group. Based on action learning principles and given significant resources and support, this group developed several interesting, remunerative, leading-edge projects that pioneered some of the new ways of working with organisational clients, and in doing so created high levels of energy and learning in the group. Within a few months enough momentum had been built up for the new culture to be not only self-sustaining, but also an increasingly powerful pole of attraction within the faculty. The shift in the culture and direction of the school that followed would not have been possible without the creation and protection of the new space within which this new culture was incubated.

b. (2) *Carry out low cost fast-trial experiments*

If we can't predict the outcome of our change interventions, that doesn't mean we shouldn't even try – but it does increase the risks and the costs of failure. However these risks can be minimised by thinking of change interventions as akin to scientific experiments. In an experiment the critical outcome is the learning, so that as long as the cost of the experiment is less than the learning gained, it remains a success. If we launch many experiments we are that much more likely to come up with one that provides us with a replicable pathway for the change needed – the smaller and

cheaper these experiments are, and the more rapidly they yield results, the more likely are we to get this outcome.

Example: Creating Social Entrepreneurship

Most organisations, particularly in the public sector, make people jump through an interminable number of bureaucratic hoops before releasing resources to enable innovative projects to take place. This deters many people – and they are often the most creative ones – from persisting through to the end. It saps the energy of those remaining and it wastes resources. These same organisations are also often the worst when it comes to learning from the outcomes from the various projects they are undertaking.

By contrast, one local authority we have worked with turned this on its head. It offered seed corn money – £1,000 per project – for the first fifty groups of employees who wanted to do something to improve services to customers. The only condition was that the learning from this should be shared across the local authority and relevant partners. The cost of this was absolutely minimal – just one thousandth of one percent of its total budget – but the impact, if only in terms of creating a socially entrepreneurial culture, was proportionally far greater.

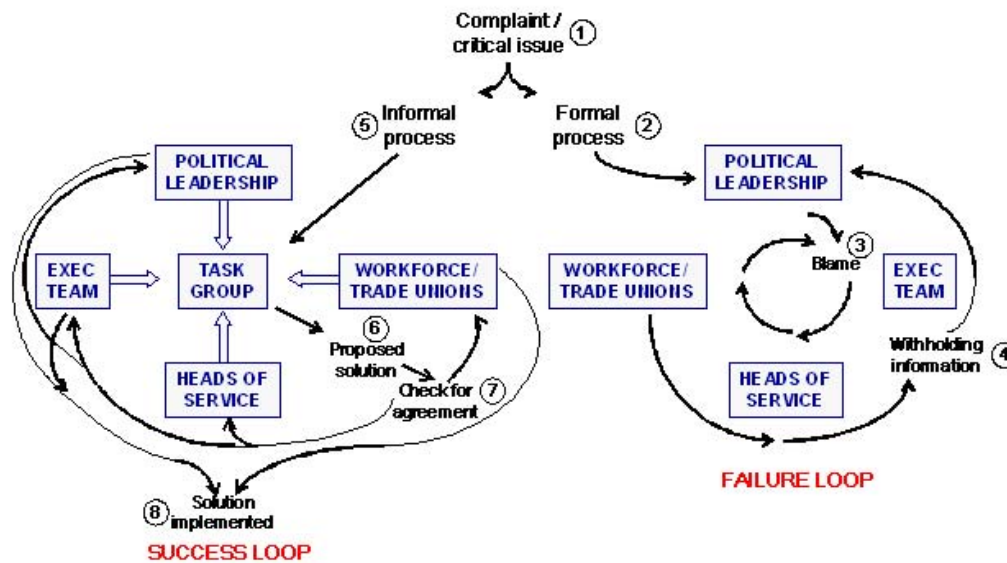
c. (3) Pay as much attention to the 'virtuous cycles' as to the 'vicious cycles' – work in alignment with the existing organisational dynamics

In our experience many organisations we work with have a split personality – they get into cycles where they act in terribly dysfunctional ways some of the time, while at other times there is a switch and they seem to be on a cycle where they succeed seemingly effortlessly. When the vicious cycle is in full swing it is virtually impossible to stop it; often the key stakeholders will be locked into a negative spiral where the complexities are just too difficult to unravel. However, on reflection there will often be a key trigger that switches the cycles from negative to positive and from positive to negative.

One can't control these cycles themselves, but one can often find a way to spot the trigger points as they come up over the horizon and gradually, over time, find ways of increasing the proportion of virtuous to vicious cycles.

Example: Culture change in a local authority

Failure Loop and Success Loop



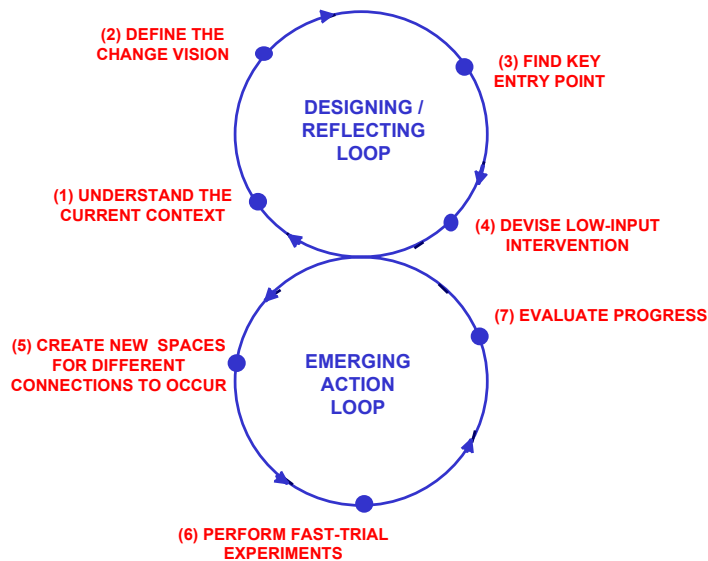
The above diagram illustrates one case in point. It concerns a local authority we have worked with where we helped them to identify two self-reinforcing systemic patterns between the four key stakeholder groupings. One pattern was based on formal, bureaucratic ways of working – going through the committee structure and paying attention to due process – and it almost always ended up failing, with people paying more attention to covering their backs than to delivering good services to the community. In this vicious cycle, every grouping came to see themselves as on the receiving end of arbitrary requirements from those ‘upstream’ of them and which they saw as getting in the way of them delivering what they needed to deliver. As a result they tended to withhold the information that would enable those ‘upstream’ of them to do this at all effectively. But at other times another pattern tended to occur. Here – usually in response to more immediate or urgent matters – an informal Task Group would be set up. Composed of 8-10 people drawn from across all the four key stakeholder groupings, it would work through consensus – relying upon the individuals to get buy-in only after the event from the rest of their colleagues. There was virtual unanimity that the outcomes from this way of working were generally excellent and that those from the bureaucratic way of working were poor or very poor.

The key question was then to identify the things that standardly triggered the vicious cycle into action and the things that, conversely, standardly triggered the virtuous cycle into action. We then worked with managers to spot the over the horizon signals of these triggers and to work to divert them so that a much higher proportion went in the virtuous direction. The impact on the effectiveness of the council as a whole was very positive, and in some areas like child protection and teenage pregnancies, things were accomplished which many thought would have been impossible without these changes.

3. Understanding complexity – some key models and approaches

Reflecting on these and other examples has led Bath Consultancy Group to a model for understanding the kind of emergent approaches to change that are appropriate for complex adaptive systems:

The Emergent Change Cycle



In this model the change process is seen as consisting of a double-loop. The top loop – the Designing/Reflecting loop – has four distinct phases:

1. Understand the current context
2. Define the change needed
3. Find the key entry point
4. Devise a low-input intervention

This then leads to the bottom loop – the Emerging Action loop – which has three distinct phases:

5. Use intermediate structures to create new bounded spaces
6. Perform fast-trial experiments
7. Evaluate progress

Repeated iterations of this double-loop are gone through until enough has been achieved with regard to the intended change outcome. At its best the process will hit upon an approach or a way of working which is sufficiently in alignment with what is 'natural' in the organisation's culture for this to be entirely self-sustaining – in which case change capability will itself have become a key core competence going forward.

If you compare this approach with some of the more traditional approaches, it becomes very clear that it is based on an underlying model in which organisations are seen as much more like a living being in its ecosystem, rather than a machine which can be directly manipulated and controlled. In this respect it fits very well with a whole range of theories that have emerged over the past half century and which have helped us look at the natural world itself in an entirely different way (Capra 1996; Goodwin 1994; Lovelock 1991; Maturana & Varela 1987; etc.)

One of the most influential current source for some of these approaches is the Santa Fe Institute, based in New Mexico. For Santa Fe, Complex Adaptive Systems are:

- non-equilibrium systems, which means that they are not driven towards a single predictable end state;
- they require a continuing input of energy to maintain this non-equilibrium state, and this, in its turn, creates rich interconnections within the system;
- they are 'purposive' – ie to understand them you need to be aware of the goals towards which they are oriented;
- these goals, which appear as 'emergent properties' of the organism, can only be understood within the overall context that connects the organism to its surrounding environment;
- the goals delineate a direction and a tendency for the organism, but there is always 'choice' in the form of multiple pathways.

Within organisations, the concepts of 'choice'; 'emergent properties' and 'purposiveness' all imply that there must be what Stacey (1995) refers to as 'the necessary space for creativity'. This space, he believes, is made possible by the presence of five factors:

1. *Information flow.* Stacey suggests that as organisations move up to a new level of operating so they require higher levels of information flow to sustain them. But beyond a critical point the organisation can tip into the unstable zone.
2. *Degree of diversity.* At some critical point the organisation has enough diversity to provoke learning and creativity but not enough to cause anarchy and disintegration.
3. *Richness of connectivity.* Connectivity is a key concept in complex evolving systems. Few connections bring stability and many bring instability. Between these extremes there is a critical point where connections are rich enough to produce endless variety in behaviour. The other important dimension is the strength of those connections. Strong ties bind people together making it more likely that behaviour will become repetitive and uniform. Or, by contrast, that the others have enough invested in the relationship to stay when changes take place. Weak ties on the other hand provide bridges to other parts of a network through which variety may be imported. This parameter reaches a critical level at some intermediate point between weak and strong, and many and few connections.
4. *Level of contained anxiety.* When anxiety is so firmly contained that it is avoided altogether, the organisation operates in the stable zone. The critical point is when anxiety levels are contained at a relatively high level and members are able to be creative. When the anxiety level becomes too high it is disabling.
5. *Degree of power differential.* Between concentrated power and equally distributed power, a critical point is reached where one can find both containment of anxiety through clear structures and freedom to express opinions and risk subversive, creative activity without fear.

4. Diagnosing and working with complexity in organisational systems: creating integrated change for a complex world

Stacey's model provides us with a very useful set of dimensions for exploring the whole field of organisational change. At the bottom end – ie where there is low connectivity, low diversity, etc – some of the more traditional, planned approaches to change will be fit enough for the purpose in hand, while at the top end much more informal, flexible and discursive methods will be appropriate.

Most major change initiatives – and certainly all those that involve culture change – will probably need to contain a combination of change methodologies that are at different points on these scales. Three questions then arise:

1. Do we have the right mix of change methodologies for who we are as an organisation and for our vision of where we want to go?
2. Have we got the right match between these various change methodologies and the different component parts of our change programme?
3. Do we have an appropriate change architecture for linking them all together?

The start point will be a collaborative diagnosis with the client organisation about its current repertoire of change initiatives. Two of our colleagues, Robin Coates and John Watters, carry this out through what they call the 'A to K' checklist:

A. Catching the energy/needs/enthusiasm/opportunities

eg Seeking fuller participation – working on issues that personally matter to people.

B. Building long term infrastructure

eg Sequential, planned approach to change management with pre-defined outcomes and detailed project planning often used on large IT implementation projects.

C. Programmed capacity building

eg Senior manager development programme and creating critical mass of change agents.

D. Breaking or turning round dysfunctional habits/patterns

- Transforming/releasing stuck feelings, eg unexpressed grief in the organisation
- Transforming assumptions/awareness
- Symbolic acts that reframe the pattern of behaviour.

E. Developing an appreciative culture

Supporting, reinforcing and learning from

- What works well and focusing on the best of the past
- Good leadership effort
- People.

F. Aligning agendas of the top, middle and front line

Top down

- Agreeing and communicating corporate and departmental objectives, resource allocation and drivers/imperatives from the external environment.

Bottom up

- Identify difficulties experienced by customers and difficulties in providing service to customers.

Middles

- Working **with** other middle managers and creating the necessary processes to enable delivery and meeting objectives.

G. Awareness raising workshops followed by action groups/project teams
eg Used by some organisations in relation to equal opportunities and total quality management.

H. Whole systems events

Having the whole system represented in the room with the aim of connecting and shifting every part of the system a little and by so doing achieving a major shift at the level of the whole system.

I. Highly directive approaches

Normally used and often necessary in crisis situations, top down and prescriptive.

J. Working in a consultative way to use the change equation

Benefits of future vision + pain/dissatisfaction with the current situation + knowledge of the next few steps = or greater than the cost of changing (principally emotional costs e.g. fear) + benefits of current situation.

K. Fast cycle iterative loops of change/improvement

eg Fast cycle iterative loops of provisional diagnosis, planning, trialling, learning and re-trialling. (Often used with action learning, action inquiry). An alternative to sequential separated steps.

Most organisations are good at some of these approaches, but are much less adept at others. When change isn't going very well or is stuck, they will often try harder with the approaches they are more familiar with, when what they really need is a different set of approaches altogether. Doing the diagnosis with them will often reveal these gaps in a very stark form and can help to create a suite of programmes which will enable a change approach profile that matches more precisely the direction they need to go in. In many cases this will not primarily involve creating new individual capabilities from scratch, but rather:

- adopting a more appreciative approach, ie locating where people are already getting it right and supporting what they are currently doing;
- helping to 'rewire' the connections between people so that new things can emerge between them (as in our European Business School example above.)

While the above will go a long way to satisfy the need for informal and emergent approaches to change, it is also important to create an *integrated* approach to change as well. A key feature of our double-loop model above is the connection between experimentation and *organisational learning*, so it is not just any set of changes that is wanted but rather a suite of changes that can be made sufficiently coherent with the desired direction. In the double-loop diagram there has to be a mechanism for collating, reviewing and evaluating all the initiatives being undertaken, so that the next iteration represents a progression from the previous one. Usually this will take the form of a steering group that is empowered to do this and which has a sufficient understanding of its role.

This was a key feature in the local authority example referred to above and an important ingredient in its success. However we have also on occasions worked with organisations where the steering process has been less successful. One global media company we worked with recently was very ready to go with encouraging and supporting experimentation, but was less able to get the feedback loop into a form whereby it could influence the overall journey going forward. One outcome from this was the steering group being left with 40,000 emailed initiatives and suggestions, which simply overwhelmed it. It had not thought through how you create the big

picture and the key areas to focus on from the multiple initiatives on the ground. This is a critical issue; once you have got people to believe that change is possible and that they really can influence it, you have a huge responsibility to provide the mechanisms whereby their local voices and actions can be integrated into the overall picture. To fail to do so is to risk disappointment, and, ultimately cynicism about your intentions.

Getting the component parts of the integrating mechanism in place and – crucially – getting the flows between them working effectively, is the key task of the change architecture. While every change process is different, our experience at Bath Consultancy Group is that effective change architectures will often need to have the following functional components in dynamic relationship to each other:

- A *sponsor* grouping that will ensure support at a governance and resource level;
- A *steering mechanism* that brings together and integrates the emerging information about the change process and enables new initiatives to go forward;
- A suite of *change initiatives* that involve key people on the ground;
- A grouping of people whose task it is to mediate, assist and co-ordinate the various change initiatives – often referred to as the *change team*

5. Conclusion

True to the nature of complexity there can never be a definitive model or methodology for steering through the currents and tides of complex change. Hopefully out of the myriad of approaches and theories we have managed to show some of the approaches that have worked for us over the last 18 years in helping clients lead change across the various levels and boundaries of their organisations.

At its best leading change will always be a reflexive process, in which it will not just be what we are leading that will be changed, but also us as leaders. In that spirit we would welcome any responses to this paper, be they questions, challenges or sharing of your experiences

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