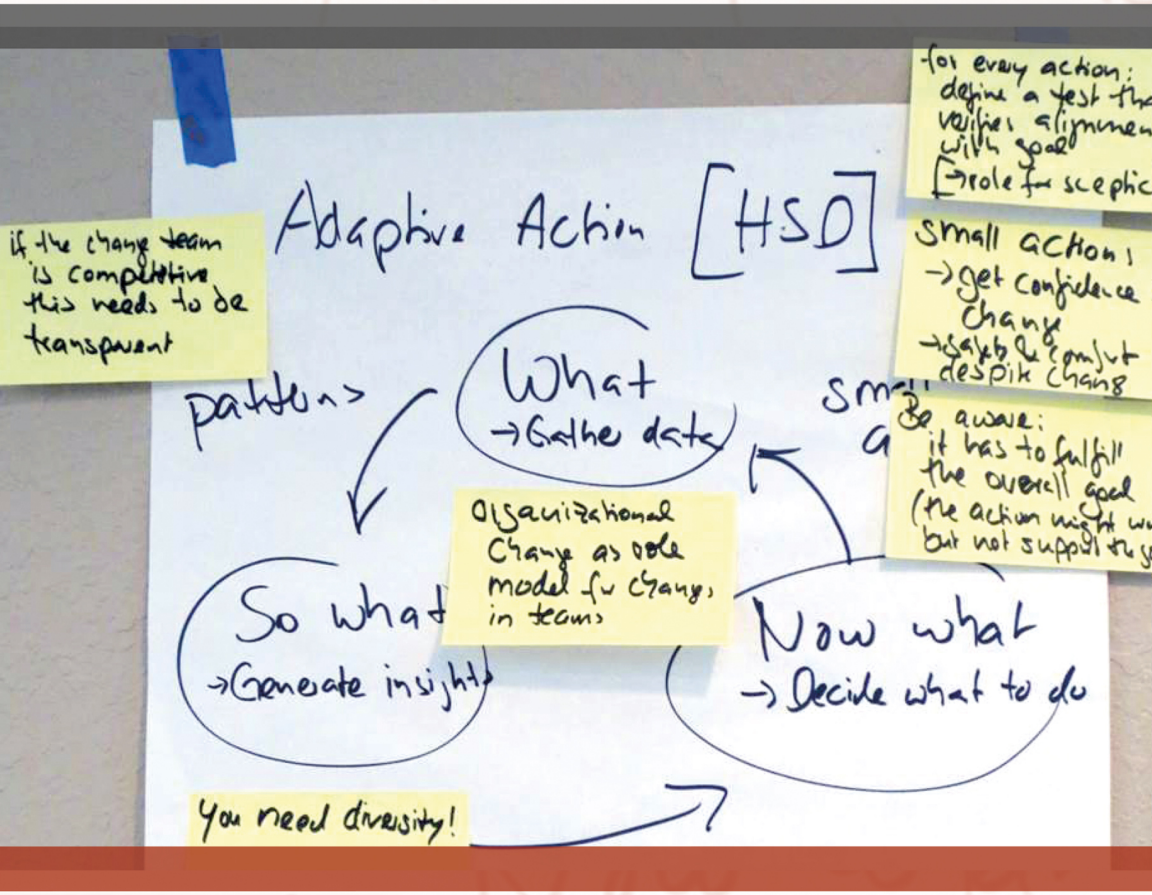
2nd Edition

Retrospectives for Organizational Change



An Agile Approach

Jutta Eckstein

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1. Challenges in Organizational Change

Change is necessary
Like the renewal of the leaves in spring.

– Vincent van Gogh

In 1978, Argyris and Schön described the increasing need for organizations to deal with the instability and changes going on both in the internal and external environment (cf. Argyris & Schön, 1978, p. 125). Since then, the challenges organizations face have been amplified. Nowadays, organizational change has many implications:

- Change is happening continuously and is never a single occurrence. Different from what Kurt Lewin once assumed that there is time to unfreeze, change, and refreeze a situation or a process, now change is a continuous process (cf. Lewin, 1947). Moreover, many changes are happening in parallel and at high speed. Therefore, it is not helpful to use the same approach for addressing a change now as for one in the past. As Kotter summarizes:
  „Firms that try to juggle twenty change projects

today by using the methods that successful companies applied to the same problem three decades ago always seem to fail.“ (Kotter, 2012, pos. 1972 / p. 147)[1]

- Analysis of cause and effect is not effective anymore. The main reason is that things are interdependent and there is rarely one cause that can be singled out and declared as the reason for a specific effect. It is possible to fail when searching for a single cause only (cf. Eoyang, 2009, p. 46). Zimmerman, Lindberg, and Plsek elaborate on this by pointing out that organizations are complex adaptive systems and as such can be characterized as follows:
  „[Complex adaptive systems] have a number of linked attributes or properties. Because all the attributes are linked, it is impossible to identify the starting point for the list of attributes. Each one can be seen to be both a cause and effect of the other attributes.“ (Zimmerman, Lindberg & Plsek, 2008, p. 8)
- This means there are almost always many different interrelated causes that lead to a specific circumstance.
- There is no relation in magnitude between a problem and a solution. For example, a small change can make no difference, a moderate difference, or a huge difference. Gleick summarizes this as:
  „Tiny differences in input could quickly become overwhelming differences in output […] this translates into what is only half-jokingly known

[1] Whenever the ebook supports page numbers, I provide them additionally. According to the ebook seller these page numbers correspond to the print version of the book.

> *as the Butterfly Effect–the notion that a butterfly stirring the air today in Peking can transform storm systems next month in New York .“ (Gleick, 2011, pos. 155-161 / p. 8)*

Internal factors may drive organizational changes, yet more so additional influencers like the five (external) forces: need for low-carbon economy, changes in demography, advances in technology, increased globalization, and changes in society. These five forces influence the necessary changes as well as how these changes can be carried out. The interrelationship of these forces and the necessary changes lead to a high complexity (cf. Gratton, 2011, pos. 267-275).

1.1 Different Kinds of Change

Depending on the challenge, an organization must decide what kind of change strategy fits best. In order to do, there must be a clear understanding of the different change options available. Addressing a necessary change with the wrong strategy will most likely lead to failure. Eoyang and Holladay explain the three different kinds of change (cf. Eoyang & Holladay, 2013, pos. 1044-1198 / p. 53-62):

1. **Static change:** A static change assumes that both the current state and the future state are well known. Accordingly, the only thing needed is the transition from the current to the future state (cf. Beckhard & Pritchard, 1992, p. 14).

This means that this kind of change is both predictable and controllable. The change strategy involves mainly a thorough planning and verification effort. The recommended methods for this kind of change are traditional root-cause analysis with consequent problem solving, application of best (or good) practices, Lewin's change model of unfreeze-change-refreeze (cf. Lewin, 1947, p. 34-36) or expert judgment.

2. **Dynamic change:** A dynamic change pretends that the future state –or the goal– is predictable. However, it is unclear how the goal can be reached. It is most likely that there is no direct path toward the goal, so there is the need to meander ahead. Most often, this kind of change requires a stepwise approach, where each step will be taken according its alignment with the goal. Following strict rules is a hindrance. Therefore, it is preferable to adjust and adapt. Typical change methods supporting this strategy are planned change initiatives, leading change step-by-step (cf. Kotter, 2012), the application of expert processes and leadership and/or employee development plans.
3. **Complex change** (also known as dynamical change): This change is regarded as complex, because neither the future state is clear nor the path toward it. As a result, this kind of change is viewed as emergent, highly unstable, and unpredictable. The only way to deal with a complex change is to iterate. Thus, actions are performed incrementally and the outcome is examined for emerging patterns that provide more clarity about both the goal and the direction toward it. This strategy is supported by the

following change methods: Action Learning (cf. Revans, 2011), double-loop learning (cf. Argyris & Schön, 1978), Adaptive Action (cf. Eoyang & Holladay, 2013), or Cynefin (cf. Kurtz & Snowden, 2003).

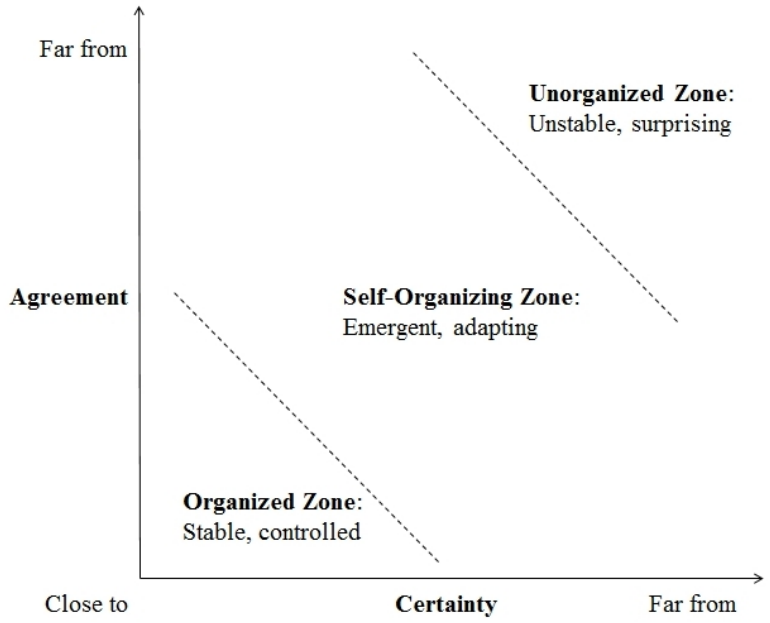
Scharmer regards these three kinds of change as complexities organizations face. For him, a static change is defined as dynamic complexity, because the cause is detached from the effect either by space and/or by time. Dynamic change is regarded as social complexity defined by conflicting worldviews by different stakeholders. And finally, complex change is seen as emergent complexity, because disruption and continuous changes make it impossible to predict a future state (cf. Scharmer, 2009, pos. 3682). However, the main problem is that most complex organizational challenges are treated as if the necessary change would be static or dynamic. As Eoyang and Holladay explain:

> *"Sometimes we think of change in human systems as if it were static change. From this perspective, we expect easy transitions from pre-strategic plan to post-strategic plan; bad employee to good employee; expectation to outcome; unproductive team to productive team; toxic culture to generative culture. Of course, change seldom really happens this way […]" (Eoyang & Holladay, 2013, pos. 454 / p. 22)*

Most often, the change is complex and therefore needs a different approach. However, it is difficult to start a change initiative with an unclear goal.

1.2 Unclear Goals

The unpredictability of the goal is on the one hand based on the five forces and on the other hand determined by both high uncertainty and disagreement in the organization. The relationship between the latter two factors is expressed by the so-called Landscape Diagram (cf. Holladay & Quade, 2008, p. 29-41 and presented in the following figure).



Landscape Diagram (cf. Holladay & Quade, 2008, p. 30)

Stacey developed this diagram based on the relationship between a change context and the way decisions are made (cf. Stacey, 1996, p. 47). Before Holladay and Quade developed this model further, it was Zimmerman, Lindberg, and Plsek who refined

it by creating the Stacey agreement and certainty matrix (cf. Zimmerman, Lindberg & Plsek, 2008, p. 136-143).

The Landscape Diagram visualizes decision-making. Every decision is driven by the certainty about the issue under consideration and by how much the group is in agreement with respect to this issue. Both of these factors –certainty and agreement– drive the decision toward or away from the (change) goal and this way define the conclusion. The degree of certainty and agreement determines on a "zone" that applies. For example, if everyone is in agreement and absolutely certain then the organized zone applies, which is defined by a stable and controlled environment. If there is no agreement and everyone is completely uncertain about the situation, then the unorganized zone applies. This is determined by instability and many surprises. In between, there is the self-organizing zone, which classified emergence and adaptation.

Yet, no situation is attached to a specific zone, which means that no particular strategy is generally advisable as the following example shows (cf. Holladay & Quade, 2008, p. 32):

- Research and development are for instance undertakings that happen typically in an **unorganized zone**, because there is no clear goal. Therefore, creativity, exploration, and experimentation are important in order to discover the goal.
- As soon as research and development has more clarity about the goal, the approach shifts toward the **self-organizing zone**. Now, the work

is focused around creating prototypes and perhaps a plan for further examination of the goal.
- Once the prototypes have proven the attractiveness and practicality of the goal, the whole effort will shift to the **organized zone**. What was at first research and development will now turn into production, which means that rules and regulations apply.

Generally, as constraints are increased, e.g. by introducing strict rules, every issue moves to a more organized area because it shifts certainty and agreement (and vice versa). In the past, only one of the two factors had been challenging – uncertainty. Agreement was no issue, because hardly anyone cared about it. As long as the top manager was certain about the goal, the whole organization would have worked for it. Yet, this does not create much support necessarily as Holman, Devane, and Cady point out:

> *"When strategic direction is merely passed down from the top of the organization or from governmental officials, often there is mi¬ni¬mal understanding of the strategic details and related assumptions because only select people were present during strategy development. With the use of whole system change methods, typically more people are involved in setting the strategy and therefore understand the nuances and reasons for selected options." (Holman, Devane & Cady, 2007, p. 6)*

As Holman, Devane, and Cady explain above, including the whole system in the change ensures under-

standing and agreement, which in turn generates more certainty.

1.3 Increase in Demand for Participation

In the past most decisions about future changes have been made top-down by the corporation. Yet, hierarchical command structures and top-down decision-making diminish as the major leadership style and give way wider employee participation (cf. Seddon, 2003 and Gratton, 2011, pos. 4708). Bill Brenneman explains why:

> *"Aside from being open to abuse, this 'command-and-control' model of hierarchy is a poor path to high performance in contemporary industrial settings. […] A strong focus on accountability and stewardship provides an antidote to 'command-and-control' abuses of power." (Brenneman in Senge et.al., 1999, p. 388)*

Additionally, command-and-control as a leadership style is not regarded as the most effective one, because only when employees are convinced about a goal will they be motivated to achieve it. This is based on the emotional attachment that is created by meaningful involvement (cf. Holman, Devane & Cady, 2007, p. 6).
Yet, participation and involvement are still not the state-of-the-art in industry as Bjarte Bogsnes points out:

> *"It is quite a paradox how 'western' business leaders praise democracy as the obvious and undisputable model for how to organize society effectively. When the same leaders turn to their own companies, then their beliefs and inspiration seem to come from a very different place, from the very opposite ideologies." (Bogsnes, 2008, pos. 392)*

But still, democracy is spreading – in the world by more and more countries asking for public participation[2] and in industry with employees' requests for understanding and meaning making of the processes inside the company. The latter request has many roots. Jeremy Rifkin observes that the younger, well-educated generation is not ready to accept fixed social norms; instead they value transparency, joint action, and equal relationships (cf. Rifkin, 2011, p. 27). Hence, young professionals in the next generation are not willing to accept the existing organizational structures. They mostly grew up without hierarchies compared to earlier generations who participated in Boy Scouts or church groups. The new generation is used to questioning goals and approaches, and to self-organizing in networks as appropriate. That is why, according to Rifkin, we are currently seeing a shift from vertical power (expressed in hierarchies) to a lateral one that authorizes people through network structures (ibid., p. 13).

To be successful, an organization needs to ensure

[2] The request for public participation became transparent e.g. in Germany during the Stuttgart 21 protests.

that employees understand the necessary changes, the uncertainty and disagreement regarding the goals, and that they are continuously part of the learning process.