

Organizational Capacity for Change

The Systems Thinking Approach®

By Stephen Haines, Founder and CEO of the Haines Centre for Strategic Management®

When developing and implementing strategic plans, the focus is always on the content of the plan most visible to everyone in the organization. It deals with details such as customer positioning, desired results and how to measure them, alignment of delivery and attunement with people's hearts, as well as the actuation of all this through operating tasks. While this effort is obviously crucial, it's only 13 percent of what's required for success in implementation and change.

The other 87 percent is like an iceberg below the waterline, not easily visible to everyone and usually underestimated, understaffed and inadequately addressed. What causes failure in implementing a strategic plan or any large-scale

The change from the current state to the future state has traditionally been underestimated, understaffed and inadequately addressed.

— Bill Velthrop

change is not the small amount visible above the waterline – the content of the change – but rather what is below the waterline, which is the majority of the iceberg. We all know that an iceberg sunk the Titanic, but it wasn't the top that caused the tragedy— it was what was hidden below the waterline.

The Iceberg Theory of Change is a true *theory* and a *practical guide* to any large-scale change. Below the surface,

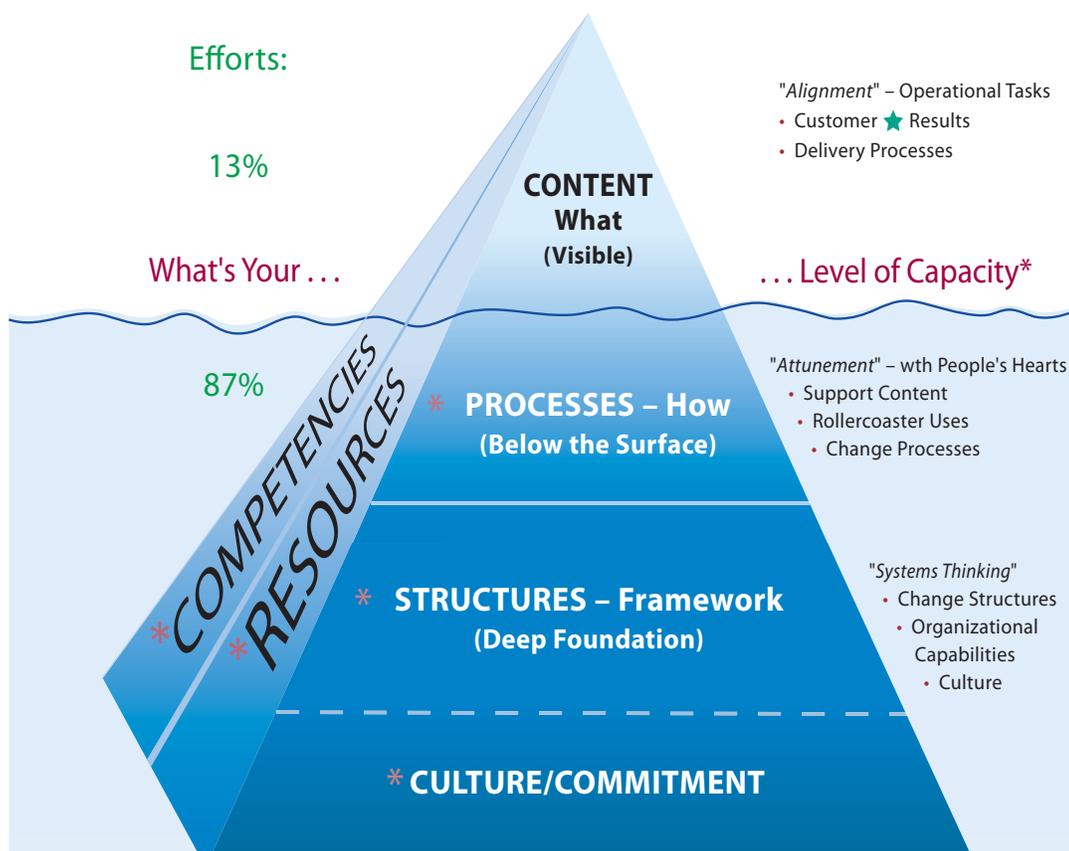
the Processes and Structures (including Culture and Commitment) and the three-dimensional components of Competencies and Resources represent areas of an enterprise's capacity that must be present to undertake, build and sustain the major results you want to achieve. *Without them, your probability of failure in any large-scale change is 75 percent.* Without these five components below the surface, you will not persevere through the natural cascade of change on a level-by-level and unit-by-unit basis. Our Organizational Capacity Assessment Instrument that assesses these components should be part of the annual organization-wide Strategic Planning and Review.

Capacity is the ability to grasp something new, absorb it and retain it over

THE ICEBERG THEORY OF CHANGE

The Systems Thinking Approach™

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time— like a vessel that carries water. It is the sustained ability to do something effectively over time. This vessel can be seen in two ways: It could be seen as a *wishing well* that is empty or only partially full of water, or it could be seen as an *operating well* full to the brim from an underground spring and capable of providing water (and capacity) over the long term.

FIVE ORGANIZATIONAL CAPACITY COMPONENTS

The five components of this *operating well*, shown in the iceberg model for change, are:

1. Demonstrated *commitment* by the collective leadership team to the long-term *cultural change* required for the organization-wide change process to succeed (the *foundation* of the iceberg), including both buy-in and staying power over the long term.
2. Effective organizational change *processes* to facilitate a successful Enterprise-Wide Change process.
3. Effective organizational change *infrastructures* in place to guide the Change.
4. High-level individual *competencies* to lead the Change effort effectively.

5. Adequate *resources* devoted exclusively to the Change.

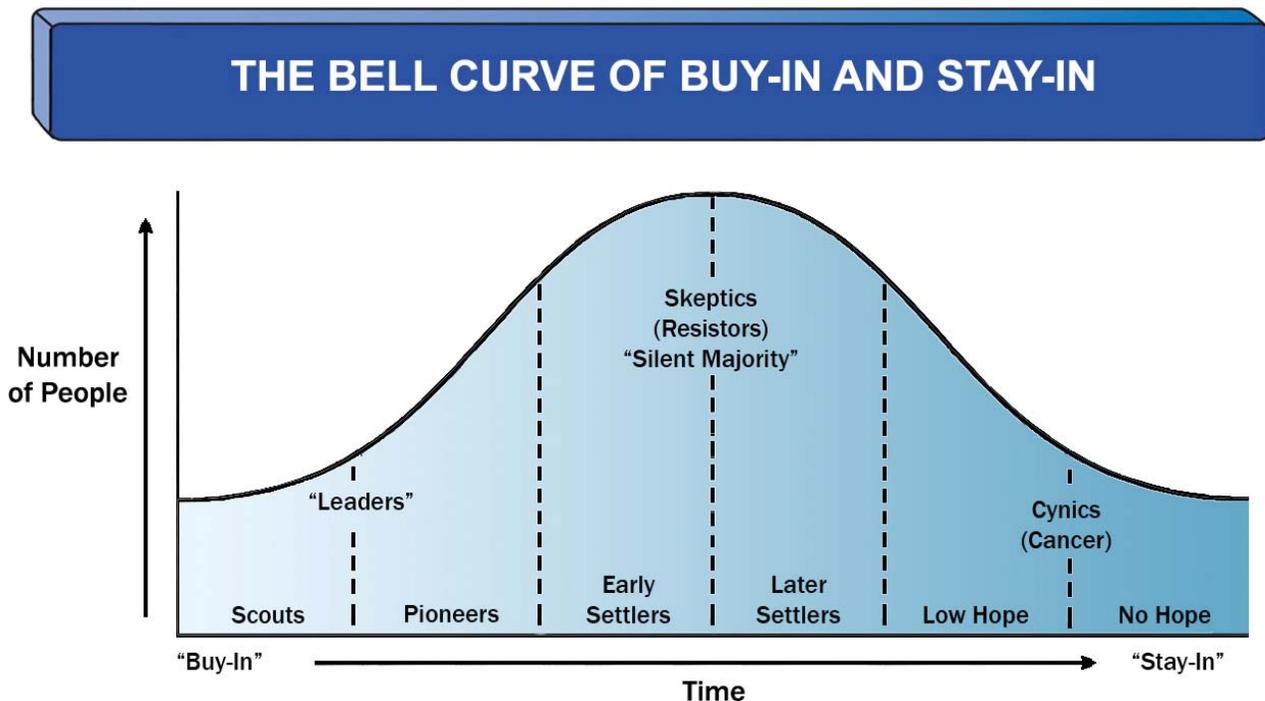
Let's examine these one at a time, building on what we have previously said.

#1 DEMONSTRATED SENIOR MANAGEMENT COMMITMENT TO CULTURAL CHANGE

Demonstrated *understanding and long-term commitment* by the CEO, senior management and the board of directors make the foundation for success. However, building a critical mass of employees in support of the Enterprise-Wide Change is also critical. This is required to effect culture change.

It can take a long time to build the critical mass needed for large-scale Enterprise-Wide Change. Check-ups, follow-ups and booster shots are keys to sustained success. Otherwise, the leaders never get *the silent majority and skeptics* on board (see bell curve below).

Once the change has started, several approaches can be used to build buy-in and maintain stay-in over the long term. This is key to success, as the top 20 percent of the change implementers (scouts and pioneers) usually has natural buy-in and stay-in, yet the cynics never will.



Ways to Develop Buy-In and Stay-In

- Modify the drafts of the Game Plan through listening, sharing and gaining feedback from those affected.
- Continue to hold meetings with key stakeholders throughout execution.
- Develop trust in leadership by keeping the Change Leadership Team open to dialogue and two-way communication.
- Involve skeptics and listen to them every day.
- Encourage constructive questions, feedback and challenges.
- Create updates after each Change Leadership Team meeting and ask for feedback.
- Use process and project teams as change leaders and consultants for each major initiative.
- Review reward systems and the performance appraisal form to reinforce the new core values and core strategies of the change effort.
- Have each person answer the question, “What’s in it for me?” (WIIFM)—keep looking at the political and cultural issues with the desired changes.

#2 EFFECTIVE ORGANIZATIONAL CHANGE PROCESSES

We have covered a number of change processes already in other articles, including the Parallel Involvement Process and the Rollercoaster of Change Process. These are available upon request.

In addition, Enterprise-Wide Change requires support and reinforcement through the organization’s recognition and rewards policies and practices.

Another effective change process is providing *strategic communications* about the Enterprise-Wide Change on an ongoing basis, using only a single sheet of paper for simplicity. In order to offset the rumor mill, it is crucial for management to provide open, face-to-face and honest communication on a timely basis.

Last, the process of transferring knowledge and learning across and down the organization is crucial to build workforce competencies necessary to succeed in your desired future vision.

#3 EFFECTIVE ORGANIZATIONAL CHANGE INFRASTRUCTURES

We also know there are key structures that must be set in place to organize and guide the overall Change process. These structures must include the Change Leadership Team, Program/ Strategic Management Office, Yearly Map of Implementation, Innovative Process/ Project Teams and Continuous Improvement Teams. (These structures are explained further in a separate article, available upon request.) A positive work culture is also necessary, and is in itself a structural component. It is at the very bottom of the iceberg, as it is most resistant to change. Therefore, it is very important to unleash the potential of the workforce in support of the change by creating a positive climate and work culture in addition to senior management commitment (see Component #2).

#4 HIGH-LEVEL INDIVIDUAL COMPETENCIES

The competencies of the collective management teams to lead, manage and effectively execute the Enterprise-Wide Change are paramount. These crucial competencies include:

- *Systems Thinking applications*, including all the tools, tips and techniques throughout other articles and instruments.
- *Creativity and innovation*, especially for the Process/ Project Teams, which are the key implementation vehicles.
- *Consistency in daily best people practices*, necessary to develop and maintain the positive work climate and culture required for success.
- *High level of business acumen* regarding your customers, markets, competitors, industry, company, finances, products and services, technology and delivery channels.
- *Leadership excellence* by your collective management team, which is the most important core competency for success in every organization.

#5 ADEQUATE RESOURCES

Finally, in today’s tough economic times, there must be a commitment to devote the proper resources exclusively to

the Enterprise-Wide Change effort. This includes not only the traditional list of *people, money* and *materials* (facilities, equipment, hardware), but also the *time*— our scarcest and only non-renewable resource. There must also be a commitment to *information*, including *access* and *processing of information*, not only on a need-to-know basis, but also transparently for those who want to know.

SUMMARY OF ORGANIZATIONAL CAPACITY FOR CHANGE

The five components discussed in this article are often overlooked during the daily stress of work and change. “We’ll just get to them later” is a frequent refrain; however, “later” never comes and the organization’s capacity and talent pool for change becomes or remains shallow. The consequences are obvious if Enterprise-Wide Change and organizational results for change overall are not a part of the annual review.

To rate your current status on all five organizational capacities, see the accompanying instrument: *What’s Your Organizational Capacity for Enterprise-Wide Change?*

These five capacities may need to be enhanced prior to or parallel with the change process itself. They are key leverage points for Strategic Planning and any large-scale change success— think of them as the organization’s “carrying capacity.” Considering following questions will help you to assess your “carrying capacity”:

- What’s the size and magnitude of the Strategic Plan and Organization-Wide Change?
- How much employee energy needs to be directed to the Strategic Plan and Organization-Wide Change (working *on* the business)?
- How does this constrain the organization’s ongoing service delivery (working *in* the business)?
- How many other comprehensive change undertakings are also going on?
- How can you be wise and hold off on some initiatives in order to enable the workforce to regroup, reenergize and refocus before dealing with another change?
- What’s the organization’s collective change tolerance or stress level?

A Note on Capacity: For those interested in learning more about the fundamental capacity of human systems to change based on their personal values, the late Dr. Clare W. Graves’ concept of Spiral Dynamics is fascinating reading. See www.spiraldynamics.org, the National Values Center led by Christopher Cowan and Natasha Todorovic. The site covers the three different layers of human values and cultures that help or prevent Strategic Planning and EWC strategies from happening: *surface values, hidden values* and *deep values*. Cowan and Todorovic say that these values create “Eight States of Organizations” with different objectives, approaches to work and levels of effectiveness: (1) animalistic, (2) tribal, (3) egocentric, (4) absolute obedience, (5) self-fulfillment, (6) relative and common good, (7) systematic and (8) holistic organizations.

Questions to Ponder:

- Are there other capacities that you feel should be added to your organization?
- Do you agree with the five capacities discussed above? Why or why not?

Another in the
Enterprise-Wide Change™ Series.

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