

Inviting Organization

evolution is now and open space

The following pages are reprinted from a collection of stories and resources that are shared freely as a browsable 'online book' at www.michaelherman.com.

Please email any comments or questions to Michael Herman at <mailto:michael@michaelherman.com>.

Thank you, and enjoy!

© Copyright 1998 Uwe Weissflog. All Rights Reserved.

Please do not reprint or distribute without permission and full attribution, including web address (www.michaelherman.com) and complete copyright notice. Permission will be granted gladly if you'll just say what you'd like to copy and where you'd like to share it. <mailto:michael@michaelherman.com>.

Strategic Conversation as the Means for Organizational Change

A Case Study by Uwe Weissflog

Uwe Weissflog and his work are a rare combination of personal authenticity, academic rigor, and business success. His story is the most open, objective and insightful report I've ever seen on the inter-weaving of a variety of process interventions, over the long haul, in one organization. What follows here is an edited excerpt of Uwe's original

Uwe and I met at the 1997 Open Space training workshop in Chicago. On the second evening of the workshop we stayed up until something like 3:00 am. It was strategic conversation about strategic conversation! ...as we began to wrap words around this notion of strategic conversation as the means for organizational change.

What follows is a story about asking big questions, engaging the whole organization, and beginning to explore this style I call "post-and-host" -- in a real, corporate and scientific organization. As a result of their work, Uwe and his organization, Structural Dynamics Research Corporation (SDRC), are recent recipients of the Soaring with the Phoenix Award, given by author Jim Belasco, for excellence in organization transformation and rebirth.

Uwe was trained as an engineer and evolved into SDRC's Manager of Strategic Planning and then into Director of Organization Development. He continues to shepherd the worldwide unfolding of this story at SDRC, currently as their "Vice President of SPACE." He welcomes your thoughts on this story and would be glad to bring you up to date on what they've been learning most recently at SDRC.

Contact him at <mailto:uwe.weissflog@pathwayguidance.com>.

“Every person is a particular kind of leader, no leader is a particular kind of person”
[ancient Chinese proverb, adapted]

Abstract

This paper describes the struggle of SDRC a leading global supplier of Mechanical Design Automation (MDA) and Product Information Management (PIM) solutions, to authentically express itself in the markets it serves. The case study is based on the experience gained over a period of four years. Since 1995, various approaches have been used to create a vision of "who we are and where we are heading". This vision had to serve at least two purposes, to be of value to our customers and to enable the members of the organization to develop a clear sense of purpose and direction. The organization assimilated ideas it could digest and rejected those that were too radical. Gradually, the company developed a clearer image of its identity and direction, congruent with the dramatic changes that happened in its markets.

Processes and methodologies that proved to be most successful were based on common sense and unorthodox thinking. The pace of change in the company's markets required an

approach that was different from traditional strategic planning. The idea of "the plan" was replaced with "Strategic Conversations"; i.e. the ongoing quest to find answers to several key questions:

- Why are we in the business we are in?
- Where are we today?
- Where do we want to be in the future?
- How do we operate today?
- How will we operate in the future?

Openness, large scale group participation, and a systemic view of the company and its environment proved to be valuable elements in this ongoing quest. Emerging parts of the collective identity include, a better understanding of our core competencies, the capability to see reality as a collection of diverse views, and the awareness of the power of alignment. These shifts in consciousness help us to accept who we are and what we are changing into.

Introduction

How it all started

Early 1995 was a gloomy time in the history of the company. Within weeks, our stock price fell to below \$4, reflecting a loss of shareholder value of more than 80% in less than 12 months. Financial overstatements caused a crisis resulting in drastic consequences:

- A set of layoffs
- Suspension of the company 401K plan contributions
- Dismissal of the CEO and part of the executive team.

At the same time, the flagship product of SDRC, a complex offering of mechanical design, analysis and manufacturing software, experienced severe quality problems. For the first time in its 25-year history the company experienced a real threat to its existence.

This threat proved to be the beginning of a new era at SDRC. Since 1995, the company has started six strategic initiatives to find a path into its future. The author was intimately involved in all six, either in a leadership role or as a facilitator. Two of the six initiatives are described here.

Where we are today

The key learning of the past four years is the insight, that by simply staying in these conversations, the company is changing. These conversations enabled awareness of key organizational needs, such as balance of short and long-term demands, reconciliation of internal innovation aspirations with external market pressures, and fusion of stability and risk-taking, to emerge. This awareness enabled the company to gradually change. No single conversation has introduced these changes; they came about because of the repeated and ongoing inquiry into these issues. Staying in conversation seems to have made the difference.

Two Stories of Strategic Conversation at Work

SDRC's Strategic Management Process (SMP) was a corporate business strategy initiative based on a process developed internally. SMP included insight from a variety of sources among them strategic planning, business, leadership, science and philosophy. The Customer Council for Strategic Direction (CCSD) brought together key customer executives, industry leaders, academe, and the company's executive management team to jointly talk about the future.

STORY #1: Strategic Management Process (SMP)

In 1997 we decided to explore the world of strategic planning more thoroughly before any initiative was started. We considered various sources to better understand "strategy," among them:

- Roughly 60 books on strategy, covering a wide span from ancient strategic thought to recent understanding of strategy.
- Theme searches on the world-wide-web with focus on consultants and their methodologies in the areas of strategy and organizational development.
- We also looked at processes and methodologies used in strategy development, in particular processes with an underlying holistic approach.
- Large scale group interventions including Open Space Technology (Owen, 1992), Systems Thinking (Senge, 1994), the Future Search Conference Model (Weissbord, 1995) and Servant Leadership (Greenleaf, 1983).

Eventually, a set of key questions formed the underlying basis of SMP, relating to:

- WHY are we in the business?
- WHERE are we today?
- WHERE do we want to be in the future?
- WHAT are the opportunities?
- HOW do we seize the opportunities?
- HOW do we react to gaps between actions and plans?

The SMP process was designed for and used by the corporate strategy team, which was composed of the CEO, his executive team, and some key business and technology professionals. This small group, except for the Environment Scan, carried out all SMP process steps. The result of SMP was a set of documents that covered the territory described in the list above.

The SMP Environment Scan, the key event to gather information about the company's internal and external environment was conducted as a two-day Open Space event in which 85 people participated. This event was structured around the following inquiry:

- The key question: "What do we know about us and our environment today and where do we want to be in the future?"
- Twelve questions, developed by the executive team in a smaller Open Space prior to the Environment Scan

After sharing this framing in the opening ceremony, the event followed the principles and laws of Open Space. The initial twelve questions were expanded to eighteen and the group self-organized into smaller groups to answer the questions (listed here).

Questions with internal focus

- What are our weaknesses?
- What are our strengths?
- What competencies will we need in the future?
- What are/will be our sustainable competitive advantages?
- How will we attract/retain the employees and talent we need?
- What is obvious? (No-brainers actions)
- How do we decide what customer to listen to for direction and how do we listen and respond?
- How do we increase positive corporate visibility?
- How can we pro-actively leverage a combination of our product lines?
- Which management system/structure is conducive to our success? How do we use organization to achieve business success?

Questions with external focus (customers and markets)

- What will our customer software needs be in the future?
- What challenges will our customers face in the future?
- What solutions will our customers need in the future?
- What are the emerging trends that will impact our future?
- What will the competition be in the future?
- What are potential threats to us?
- Who are our future customers?
- What are the adjacent market spaces/products we might add?

During the Environmental Scan event, each group documented its results in a very simple form and presented them to the entire group at the end of each day. By the end of the event a 120-page document was created and made available to all participants within 24 hours. Within two days, the group had covered a wide area of concerns, covering both internal and external areas. The document is still a valuable resource today. Its usefulness would even be higher, had customers, industry analysts and others taken part in its creation.

Later, SMP created implementation plans and spelled out ownership. It did this, in part, because all formal process owners, i.e. Product Development, Sales, Marketing, Human Resources, etc. participated from the beginning. Several results of SMP, such as a better understanding of the structure of our markets and corporate focus on certain industry segments, were readily accepted.

Partial success also can be claimed for linking the financial goals developed during SMP with the actual Annual Financial Plan. One big success was probably the marketing and image campaign that resulted from a deeper understanding of how much the company was really known (and unknown?) in its environment.

Other factors played a role, too. Again, action happened because the results of SMP complemented what the formal organization was also discovering on its own. Both sides compounded the need for action, and therefore something happened.

STORY #2: Customer Council for Strategic Direction (CCSD)

In early 1998 the company took a real leap of confidence. For the first time we opened the conversation about the future of our markets and ourselves to the participation of customers, academia and close business partners. A formal business event combined with Open Space provided the framework. The latter was imbedded inside the formal meetings with the intent that both forms would not interfere with each other. Two days of the three-day event were totally dedicated to Open Space. Only the Open Space event will be described here.

As is the case in all Open Space events, there was no preset agenda, except for a trigger question. The question The Future Role of Information Technology in "Making and Moving" Digital Product Information; Local and Global Perspectives had been communicated in the invitation. After "opening the space", which included the explanation of the process, the agenda was created by the group in less than one hour. The group then self-organized in sub-groups, with all participants attending the sessions that they felt most passionate about. It is worth sharing that the group consisted of eighteen very senior industry leaders from around the world.

In the sub-group meetings, the observation work happened in multiple forms. Informal conversation, formal presentations of material that individual members had brought in anticipation of topics they wanted to talk about, and creative brainstorming were used at different times. The diversity of the groups enabled the creation of a rich web of information. This was further enhanced by the seniority of the CCSD members, ensuring that the groups addressed the key areas of today's business and technology challenges.

Each day we provided space to share results, insights and observations of the different sub-groups. All sessions were recorded online using a laptop. This provided the opportunity to share the results with all attendees directly after the conference was over. We used a local overnight printing service to provide draft copies of the results.

The Learning Experience

Looking across all six of our strategic initiatives, the most puzzling experience in all initiatives was the fact that the implementation of the plans broke down during the action stage. Although something happened as the result of each of the major activities, the significant recommendations were never implemented. It is also impossible to state the success of the pieces actually implemented, because no consistent way of measuring was considered seriously by any of the plans. However, a few positive results can still be reported:

- Whenever the plan pointed to something that was already considered in the respective decision-maker's mind, it was used to reinforce momentum for this activity.
- Whenever real insight and understanding was gained, independent of whether or not it translated into action, the new knowledge became part of the ongoing strategic conversation.
- At times, with no direct causal relationship to a specific strategic planning document, this knowledge would resurface, (sometimes named differently) and result in appropriate action.

Another, positive effect, is the growing awareness throughout the organization, of the inconsistencies of plans and actions. The shared awareness of our repeated breakdown in the action phases has helped the company to be more aware of its weaknesses and the underlying causes. The expanding awareness is fuelled by an increasing corporate-wide desire to understand the environment and the company as clearly as possible. This search for the truth has surfaced several deeply rooted challenges and tensions that the organization continues to wrestle with, among them:

- Creating balance between the sales organization's tendency toward "being driven by customer demand" and the planning organization's attempts to "strategically directing one's own fate";
- The understanding that organizational change can only happen based on individual change;
- The negative impact that collective memory loss and missing alignment have on market momentum.

Being driven and directing one's own fate, balancing sales and planning

When the commitment of the sales organization to fulfill potential customers needs, even when the available product lacks some of the promised capabilities, consistently wins out over the commitment of the planning process/organization to independently determine long-term direction based on market understanding and creative innovation, it becomes a truly vicious cycle, preventing the organization from building the positive product momentum required for long-term success and survival.

At times, however, the momentum of the sales organization can save the organization from gaps in the long-term planning process. In early 1996, during the last meeting of the strategic planning process, all corporate support for the recommendations had faltered. No other strategic initiative was planned for 1996. But despite this unsatisfactory situation, the strong influence of an extremely large contract the sales side of the company had won in late 1995 propelled the company through 1996 and into the major leagues of our industry.

Fulfillment of this contract and operational excellence were of the utmost importance during that time. Fortunately, the expectations set by this contract were strongly aligned with the basic recommendations of the failed strategic planning process and strategy implementation became largely synonymous with implementing this contract. So where's the problem? Only that we did not fully appreciate this possibility and that, even today, we still struggle to accept our co-dependence on our markets and customers.

Individual and Organizational Change

It is a tragic illusion to assume that we can change others without changing ourselves. This misunderstanding seems to be related to a shift in the fundamentals of our thinking more than 300 years ago. The mechanistic view of the world, initiated by Newton and enforced by the industrial revolution of the 19th and 20th century, has created a mindset that separates planning from doing. This mental model, aided by specialization, contributes to an unspoken reality, where only certain people have to change, while others are exempt. But the emergence of knowledge work, distributed worldwide and linked in a network fashion, is challenging this model.

Any change in such a dynamic environment, where formal power and control are undermined by dynamic realities, will depend on voluntary, individual change first. One encouraging observation, across all six of our initiatives, is that this individual change actually does happen, when it is invited and given some space to unfold.

Momentum, Alignment, and Memory

Alignment is a prerequisite to build momentum and reduce friction. Alignment must be system-wide. Actions need to be aligned with plans and people need to be aligned with the organization's vision. One very positive experience of alignment was the annual kick-off event in 1996, where the possibility for momentum emerged out of the consistency of the presentations, reinforcing the theme that previous strategic planning efforts had brought to life. Unfortunately this event was a rare exception.

Happy Endings

All of this said, we should not forget that true learning and change also took place. Gradually, in each initiative the number of action steps actually implemented, increased. Shared insight and understanding started to appear throughout the company.

Our journey over the last four years can be described as evolutionary, moving from the hierarchical model of management making plans and employees executing them, to a more participatory model, where plans and actions are done by the people based on knowledge and not on formal status. This is consistent with organizational trends observed in highly successful companies in many knowledge-driven industries. In particular the following insights that shape the ongoing strategic conversations are encouraging:

- The diversity of environment and organization is best captured if the whole system participates in the observation stage.
- Any constraints put on the observation stage results in bias. Automatically these biases work like filters further reducing the capability to see what really happens.
- Insight gained while the whole system is present has the potential to become part of the organization's culture. This makes resistance to follow-on plans and actions less likely.

The experience of the past four years is changing the way we think about what is important to sustain our organizational existence. Changes, impacting our corporate identity, seem to emerge in several areas, among them:

- A shift from technology-centric to market-centric thinking.

- A broadening of our value system, from individual contribution to team (collective) contribution.
- An understanding of interdependence, within the organization and between the organization and its environment

In summary, we are in a state of change. We are embracing the needs of our markets, and allowing those needs to guide our innovative spirit. We are broadening what we value, adding team recognition to the existing focus on individuals. We are developing an understanding for interdependence, within the organization as well as between the organization and its environment. And finally, we are realizing that we can not walk away from our own insights. By keeping the conversations about our identity and our future alive, actual change is happening. This is not a bad place to be.

© Copyright 1998 by Uwe Weissflog. <mailto:uwe.weissflog@pathwayguidance.com>