In hindsight, we probably should have …

A holistic approach to organisational change

Use the rear-view mirror

In a pharmaceutical company, the following scenario plays out in a car where a group of managers are on their way to a management seminar.

Our monthly satisfaction survey shows that motivation amongst our employees has decreased five months in a row. We must do something, and we have to do it soon.

I completely agree that we are in a challenging situation that requires action. Ultimately, it could affect our turnover.

I can only agree with the rest of you… I think we should do something for the employees that makes them happy and increases their motivation

Sarah *from the Management Secretariat*

Graham *from Finance*

Kirsten *from HR*

The three managers discuss how to increase the employee motivation. Graham enthusiastically tells that at his former workplace he participated in an excellent and motivating seminar for the employees. As they drive on, talking back and forth, this solution seems like the obvious choice: They will organise an employee

seminar to help boost the motivation. The management team presents the idea at the management seminar, where it is quickly decided that the employee seminar is spot on.

The employee seminar is held with great success and high employee satisfaction. A month later, the result of the monthly satisfaction survey shows that the employee motivation is just as low as in the last survey.

What could the management have overlooked?

As it often happens in a hectic workday, the management had not looked in their rear-view mirror. In their attempt to find a quick solution to the problem, the three managers only looked out the windscreen and grabbed the solution that appeared just ahead. They forgot to investigate what was actually causing the low motivation and collect the data which could have identified the cause of the low motivation and helped them treat the problem itself rather than the symptom of the problem.
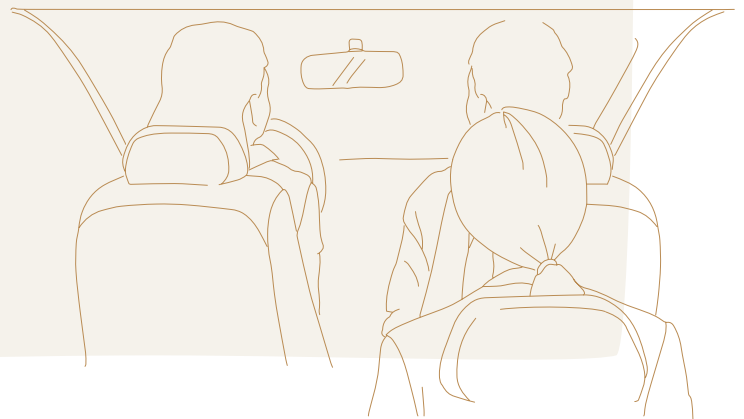
A good start

In our work as consultants, we have seen several organisations launch change initiatives without having undertaken a holistic assessment of *the current situation* in and around the organisation and what triggered the need for change. Instead, change efforts are initiated based on immediately visible conditions that the organisation's managers think, or guess, have led to the need for change. Therefore, the underlying factors which have caused the need for change are not sufficiently investigated.

What follows is the risk that the efforts do not create the desired change, or only solve parts of the organisation's problems. In other words, the organisation risks treating only symptoms, as actions are launched without properly identifying the overall challenges in the organisation and what has caused them.

We have also experienced that change projects sometimes are implemented without an awareness of how different conditions in and around the organisation mutually affect one another.

If the organisation is not aware of the interconnection across all parts of the organisation, any choice made by the organisation, whether conscious or not, will have been made without truly knowing how the change will affect the different parts of the organisation. Instead, the change initiatives' influence on different parts of the organisation is determined by chance. This means that the change initiatives might affect parts of the organisation which were not intended, resulting in them being influenced in an undesirable direction.

We see two main causes why these issues play out in organisations. Firstly, too little time and resources are devoted at the beginning of the change project to uncover the current situation in and around the organisation, and the underlying triggers which have caused the need for change. Secondly, throughout the change project there is a limited holistic view of the organisation i.e., the different areas which make up the organisation and how they are linked together.

With this in mind, we believe there are four key questions that organisations would benefit from asking themselves when embarking on a change project.

4 key questions to ask when starting a change project

1   **What has triggered our need for change?**
    Organisations will quickly detect a problem in and around the organisation. However, sometimes what is detected is the symptoms of the problem rather than the root causes. Without an analytical and exploratory approach, it can be difficult for the organisation to get to the heart of the matter and create a solid foundation for the desired change.

2   **What are our blind spots?**
    Organisations can get tunnel vision and end up focusing on a single issue. However, the problem is rarely isolated to one area of the organisation; it is closely linked to and has an impact on other parts of the organisation as well. Without a holistic view of the interdependencies across the organisation, there is a risk that parts of the organisation become disconnected from the solutions, which means the change project will not have the desired effect.

3   **What does the future look like for all parts of the organisation?**
Organisations are largely focused on setting the strategic direction for their organisation through benchmarks and focus areas. However, such approaches often become general orientation points that fail to capture the complexity of the entire organisation. Without a clear picture of the desired future scenario for all areas in and around the organisation, it becomes unclear what specifically needs to change.

4   **How do we achieve the future we want?**
Organisations tend to focus too narrowly on the goal — the future scenario — and so fail to translate the scenario into low-level action. Without breaking down and operationalising the desired future scenario, the different areas of the organisation have nothing tangible to work with to bring about the desired change.

Structure the complexity of the organisation

Organisations are complex entities. As consultants, we often come across the phrase "*kill complexity*". But eliminating complexity also implies simplifying the given field, and such an undertaking can be dangerous as decision making risks end up being based on an incomplete picture of 'reality'. We argue that the complexity of the organisation should be made visible by structuring it into the areas that make up the overall activity of the organisation. This makes the complexity more manageable.
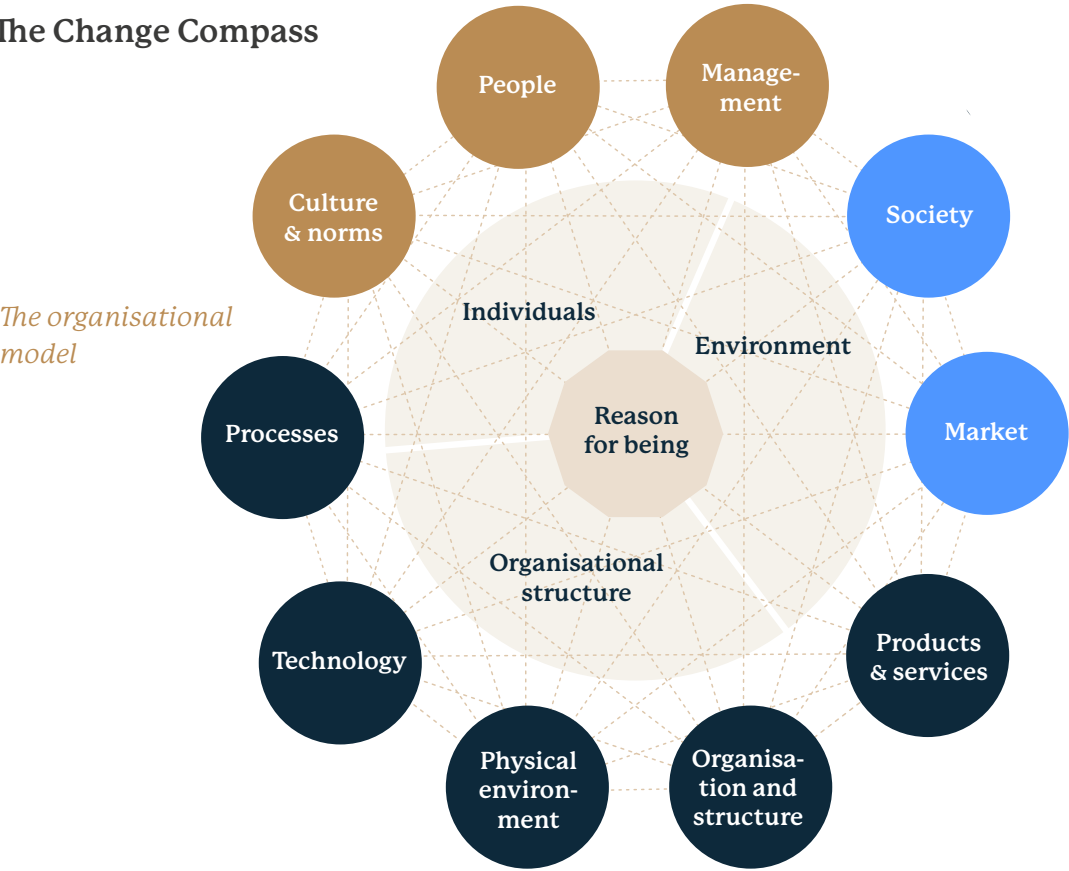
To embrace and structure the complexity of different organisations' work, we have developed a framework — we call it the *Change Compass* — which contains an organisational model as well as a phase model.

The organisational model supports a holistic view of organisations while being application- and practice-oriented. The model visualises the areas we see as defining the work and existence of organisations. Likewise, the organisational model supports the visibility of how organisations operate within each area and how these areas are connected.
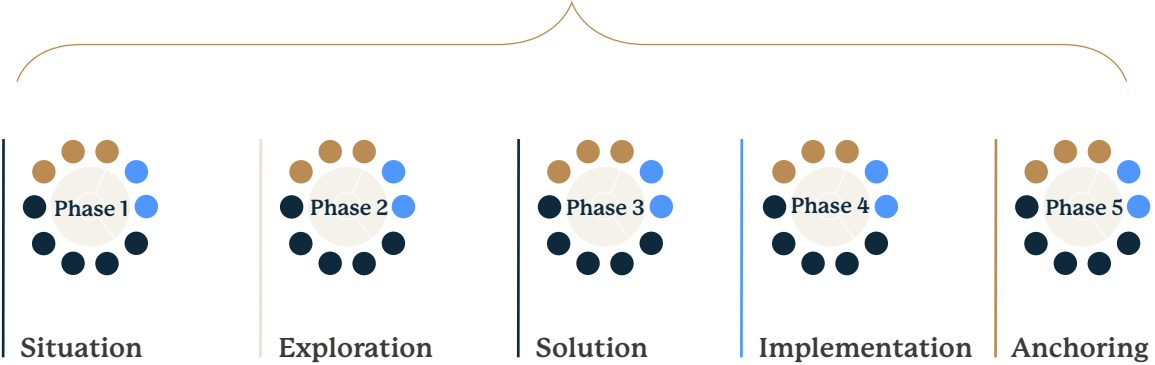
The phase model is an approach that links the organisational model to a project plan split into five phases. The phase model brings the organisational model into play throughout the life of the change project and ensures that the insights provided by the model are actively applied throughout the change journey. Through the phase model, the organisational model becomes the focal point for mapping, analysis, design, implementation, and the choices made in the change project.

A more in-depth description of the *Change Compass* is presented on the following pages.

The Change Compass

The organisational model

People

Management

Culture & norms

Society

Individuals

Environment

Processes

Reason for being

Market

Technology

Organisational structure

Products & services

Physical environment

Organisation and structure

The phase model

Phase 1 — Situation

Phase 2 — Exploration

Phase 3 — Solution

Phase 4 — Implementation

Phase 5 — Anchoring

Good Company

The organisational model

Organisations are social phenomena which *do not* exist in a vacuum but are influenced and affected by both internal and external factors.

We therefore believe that any approach to organisational change should be oriented towards *human aspects* such as actions, reactions, and behaviours as well as towards *structures and processes* within the organisation and the *environment* that the organisation is a part of. With this in mind, we define the basis of existence of an organisation as consisting of three dimensions: Individuals, Environment and Organisational Structure.

The three dimensions are overarching for 10 underlying areas, which together define an organisation's activity. The 10 areas show that an organisation as a whole, is made up of different areas that are closely linked together in a web of interdependencies and interactions.

We have defined the 10 areas as: People, Leadership, Society, Market, Products & Services, Organisation & Structure, Physical Environment, Technology, Processes, Culture & Norms.
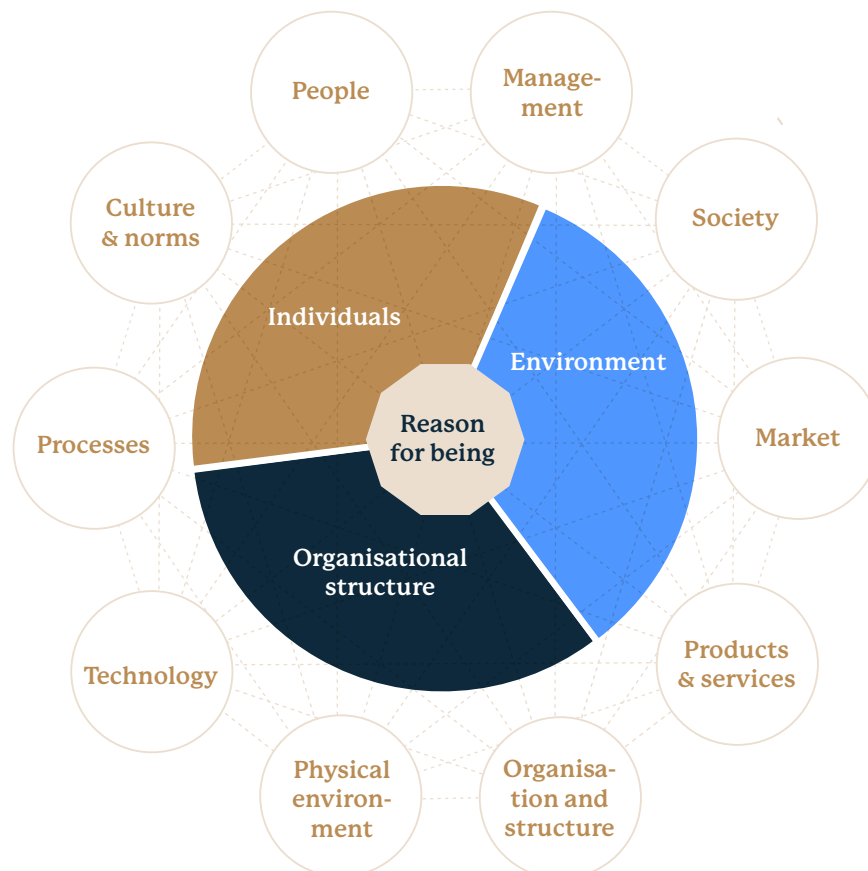
The interconnectedness and interdependence between the areas mean that they interact with each other. A change in one area will therefore have a direct or indirect impact on other areas. Meanwhile, the other areas will feed back into the area from which the change originated.

Back to the pharmaceutical company ...

Let's go back to the pharmaceutical company to illustrate the interdependence between the different areas.

We can reveal that the cause of low employee satisfaction in the organisation was the implementation of a new IT system six months earlier. Management did not consider that *other* areas than *Technology* would be affected by the implementation of the new IT system. As a result, management had not planned change initiatives outside that specific area.

The areas that were particularly affected by the implementation were *people* and the *existing processes*. The implementation led to new demands on employee competencies and behaviour as well as a need for changes in *workflows*. Meanwhile, the area of *Technology* was also influenced by other areas, as the *employees* did not actively want to use the new IT system, and as the IT system had to be modified to fit into the existing *processes* of the organisation and to comply with current rules and regulations in *society*.

10 areas that help you understand your organisation

The organisational model is a systematic approach to visualise how the different areas that make up an organisation interact and affect each other. By mapping and understanding factors in, around, and across each area, these can be better aligned and influenced in a direction that will strengthen the organisation overall.

The organisational model is presented on the following page.
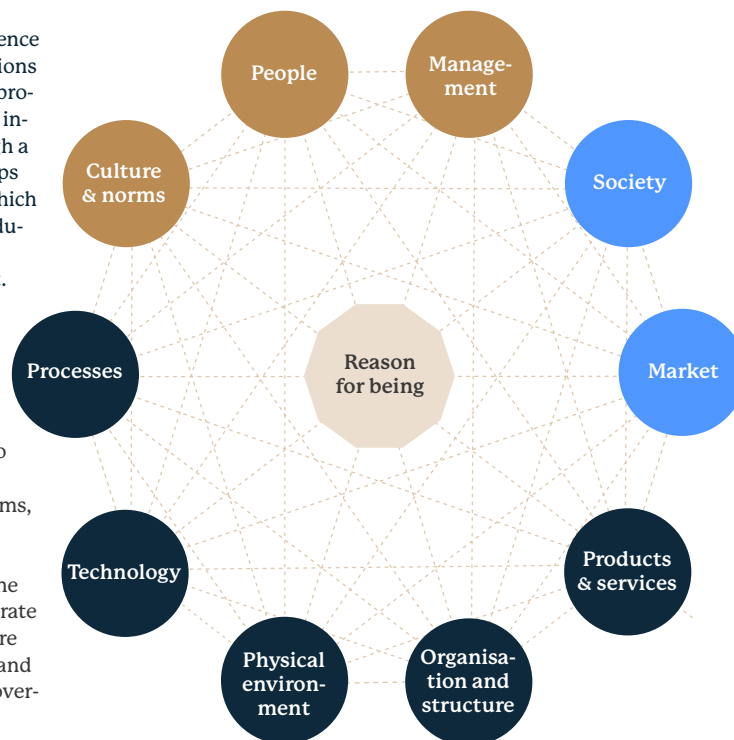
The organisational model

Culture & norms emerge in the space between individuals. Culture is anchored in both written and unwritten rules, values, and norms which unfold and can be read in behaviours, routines, traditions, or rituals that individuals in an organisation follow and navigate by.

People is a collective term for the organisation's employees and teams. People are defined by skills, competences, experiences, needs, preferences, motivation as well as physical and mental capacities. Teams are a social system made up of humans with collaborative dynamics, jargon, shared goals, and tasks.

Management comprises both the hard and soft values. This covers the managers' ability to set the course and lead the way to achieve the organisation's objectives and to prioritize the organisation's resources, tasks, and projects. It is to guide, motivate, and engage the organisation's employees and teams to solve the organisation's projects and tasks.

Society is external micro- and macro-level factors which set the framework for organisations to operate, including formal societal rules and laws, informal norms, and values (e.g., maternity leave, GDPR, cyber security) as well as general trends and currents.

Processes are a sequence or series of fixed actions that transform. In a process there will be an input that goes through a series of process steps and change hands which modify, alter, or modulate the input into a new relevant output.

The market is defined by micro- and macro-level externalities such as customer relationships and segments, market conditions, branding, distribution chains and channels etc. An organisation will seek to impact and will itself be affected by these conditions.

Technology refers to physical and digital work tools and systems, including hardware and software which help to ensure that the organisation can operate optimally, deliver core services effectively, and have the necessary overview and insights.

Products & services are what the organisation makes its living from. Products are physical objects of value to users that they acquire, while services are a means of delivering value to users without users having ownership of the asset.

People

Management

Culture & norms

Society

Processes

Reason for being

Market

Technology

Products & services

Physical environment

Organisation and structure

Physical environment is the framework around the work of the organisation and its location. The physical environment includes buildings and premises, furnishings, indoor climate, ergonomics, noise, light, equipment, and machinery as well as the 'work form' and working conditions e.g., laboratory or production work.

Organisation & structure are formal systems, practices, and rules which set the framework for practice in the organisation, including meeting culture, collaboration, interaction, division of labour, and governance. The organisation consists of individuals and activities arranged in structures (units) based on skills, tasks and hierarchy.
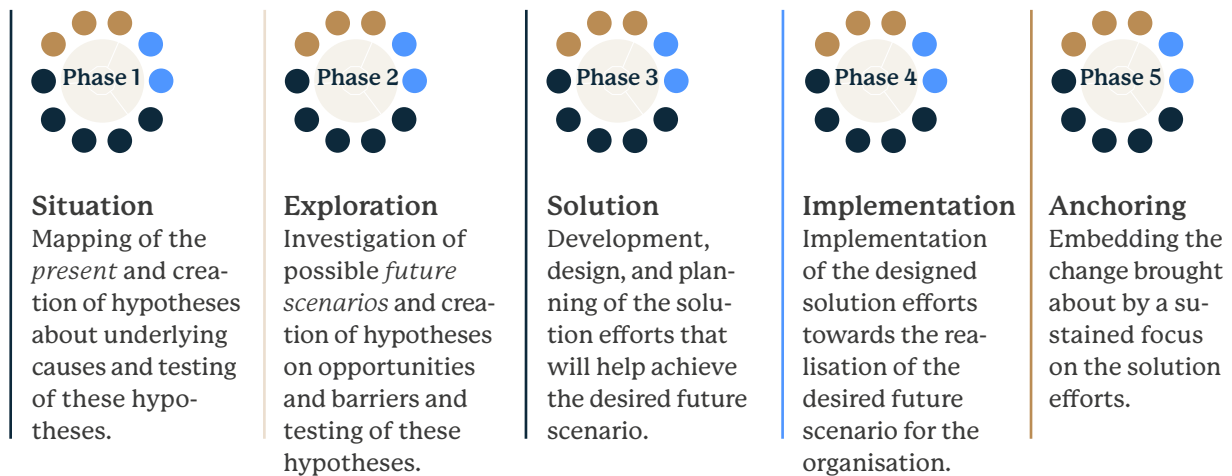
Reason for being is what makes the organisation unique and relevant. There is an interdependence between the core, the reason for being, and the 10 areas. This means that the core provides direction to the areas, while the areas in turn define the core.

The organisational model: Developed based on our experience from our own projects, our insight into the work of different organisations and with inspiration from Grech, Horberry & Koesters (2008)

The phase model

We have designed a five-phase model to support the application of the organisational model throughout the change project. The phase model sets the course for the change project and should support the successful completion of the project.

Situation
Mapping of the *present* and creation of hypotheses about underlying causes and testing of these hypotheses.

Exploration
Investigation of possible *future scenarios* and creation of hypotheses on opportunities and barriers and testing of these hypotheses.

Solution
Development, design, and planning of the solution efforts that will help achieve the desired future scenario.

Implementation
Implementation of the designed solution efforts towards the realisation of the desired future scenario for the organisation.

Anchoring
Embedding the change brought about by a sustained focus on the solution efforts.

Phase 1 – *Situation* is centred on mapping the current conditions in and around the organisation to understand the organisation's existence, challenges, and opportunities. The organisational model is used as a framework for understanding and identifying the *current situation* in all ten areas and the interdependencies between them. Based on the mapped situation, hypotheses about the underlying and triggering causes are formulated and these are sought to be confirmed or refuted using relevant qualitative and quantitative methods.

Back to the pharmaceutical company ...

In hindsight, the pharmaceutical company could have used the organisational model to identify the current situation in the company. The Situation phase would have highlighted that there was a poor digital mindset amongst most of the employees which greatly challenged the subsequent implementation of the new IT system. Based on the situational picture, the pharmaceutical company should have hypothesised the reasons for the poor digital mindset. The hypotheses could then have been tested using for instance interviews, data, and market analysis.

Phase 2 *– Exploration* is centred on exploring possible future scenarios for the organisation based on insights from the previous phase. It also examines how a possible change would affect each of the ten areas and vice versa, and what needs to change within each area to achieve the desired future scenario. Hypotheses about what needs to happen for the future scenarios to be achieved are formulated and these are tested using relevant quantitative and qualitative methods.

In hindsight, the pharmaceutical company should have used the organisational model to identify and analyse which areas the implementation of the new IT system would affect. They should have outlined what the desired future scenario for each area would look like if the new IT system was successfully deployed. Furthermore, they should have hypothesised what would be needed to achieve this future scenario and tested these through methods like interviews and questionnaires.

Phase 3 *– Solution* is centred on the development, design, and planning of the *solution efforts* needed to achieve the future scenario. As the concept of *solution effort* implies, it is not just about delivering a solution design. The solution effort is an *effort* that includes both a design of the solution and a plan for how the solution will be implemented in the daily life of the organisation. The organisational model helps to frame the areas in which solution initiatives should be designed and how these impact on the different areas of the organisation. The impact of the solution initiatives on the different areas of the organisation is often overlooked, which can lead to challenges during the implementation phase.

In hindsight, based on the insights from phase 2, the pharmaceutical company should have designed and planned solution initiatives for the areas that the company assessed would be most affected by the implementation of the new IT system, so the desired change could be supported in each of these areas. For example, one solution could have included planning and designing communication initiatives, competence development, and involving employees in the development of new workflows related to the new IT system.

Phase 4 *— Implementation* is focused on implementing the designed solution initiatives in the selected areas. Based on the organisational model, the implementation actions are executed in the selected areas. These could include system interventions, re-branding of products and services, knowledge and competence building, management development and coaching, organisational change, and project approaches. The implementation considers the unique challenges, obstacles, and resistances that may arise within the areas in response to the changes brought about by the change project.

In hindsight, the pharmaceutical company should have focused not only on implementing the new IT system, but also on executing and implementing solution initiatives for the areas that would potentially be impacted by and could backfire on the *Technology* area. By implementing such solution initiatives, the pharmaceutical company would have been able to better approach the desired future scenario and achieve the desired impact, which was the reason why the IT implementation was initiated.

Phase 5 *— Anchoring* is centred on ensuring that the impact of the solution efforts is achieved and remains anchored in the organisation. Sometimes, the impact of solution efforts is lost when efforts go from being attached to a change project to being a natural part of the operational organisation.

The final phase therefore involves launching specific anchoring activities to ensure a sustained focus on the solution initiatives and that their impact is properly anchored in the organisation. The activities are specifically focused on supporting the organisation's employees and management in applying and following the 'new' and 'learned'. The change project only ends when the desired future scenario has been achieved and the change has become a natural part of everyday life in the organisation.

In hindsight, the pharmaceutical company should have had a sustained focus on the areas which were affected by the implementation of the new IT system, so that the desired change within the areas was truly adopted and anchored. This could for instance have been achieved through ongoing management support, which could ensure a sustained focus and prioritisation of change efforts. It could also have been achieved through the appointment of change ambassadors, whereby selected employees are selected and involved in ensuring training, adaption, and knowledge sharing.

Use The Change Compass
— to examine, develop and change your organisation

In this article, we have sought to shed light on how to create a more holistic approach to the discipline of examining, developing, and changing organisations and how to ensure you maintain a continued focus on all areas in and around an organisation throughout a change project.

The Change Compass provides a framework of understanding and is a specific approach that meets the above objectives.

The Change Compass supports:

A clear picture of the organisation's current situation before a change journey is planned and launched. The Change Compass supports the implementation of a change project from start to finish and is used to determine and create a nuanced picture of the current situation in the organisation. It also helps to structure and set the course for the desired changes based on the mapped situational picture.

A holistic view of the organisation that minimises the risk of tunnel vision. This is achieved by visualising how the many areas of the organisation are interconnected and constantly affect each other. The holistic approach ensures that throughout the change project, the focus is on understanding and managing the interdependencies between areas, so parts of the organisation are not disconnected from the solutions. The result is real change as opposed to symptom treatment.

Breaking down organisational complexity and operationalising the desired organisational change. The organisational complexity is broken down through operationalising the desired changes in the 10 areas that define the organisation's activity. The 10 areas thus become the focal point for the change sought, thereby clarifying the change requirements in each area so concrete actions can be designed, planned, and implemented to match.

A visible link between the organisation's change needs and the change project plan. The Change Compass ensures a visible link between the change needs and the activities of the change project, and the approach makes sure that the link is revisited throughout all phases of the project. This means that the planned activities of the project are adapted to the changing circumstances in the 10 areas during the change project.

Why a holistic approach to organisational change?

Authors, researchers, and consultants from various disciplines have contributed to the understanding of organisations and the processes of development and change they go through. Likewise, many before us have contributed with specific approaches and tools to design, implement, and execute organisational change, focusing on both business and behavioural aspects of the change journey. Our organisational understanding and approach to organisational change therefore stands on the shoulders of the knowledge that already exists in the field.

The Change Compass complements existing theories and methods of organisational change with a holistic approach to examining, developing, and changing organisations while ensuring a continuous focus on all areas in and around the organisation throughout the change project.

The article is a summary of key points from a book we are working on at the time of writing. In this upcoming book, we want to contribute with a practice-oriented and methodological approach to development and change projects which can also serve as a methodological reference work.

Anna Hjerresen Schuppli
ahs@goodcompany-cph.dk
+45 5138 7404

Stine Lund Wesselhoff
slw@goodcompany-cph.dk
+45 5138 7407

goodcompany-cph.dk
E-mail: hello@goodcompany-cph.dk