



## Celle Impulses 2015: flow change®

### **Management congress on June 10, 2015**

### **“Complexity and change – (how) does that work?”**

### **Speech: “Iterative Change Management”**

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The speech is about:

- Explanations concerning “Major projects in Germany”
- Complexity needs another understanding of planning – ways from the classic waterfall model to iteration
- Decision-making Systems under Scrutiny
- General Principles instead of Detailed Rules

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Celle, June 2015



## Iterative Change Management

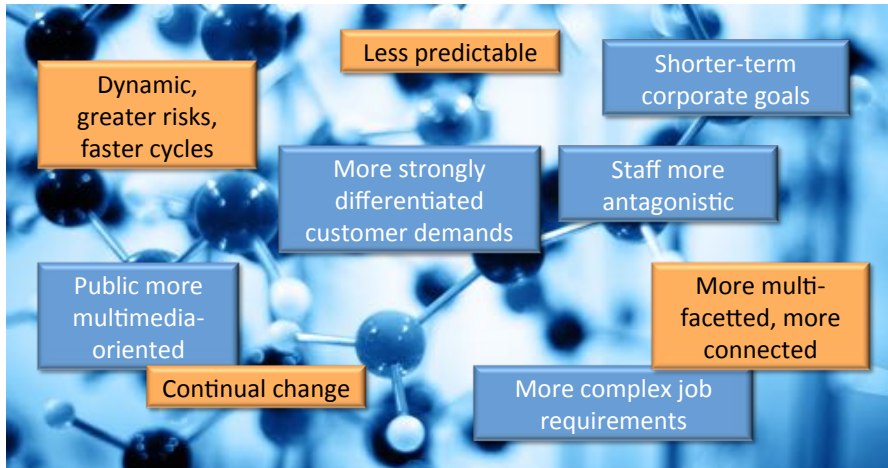
10 June 2015 | Frank Wippermann

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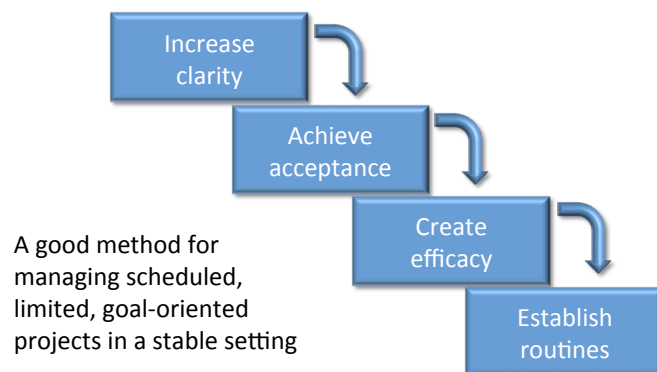


## Complex Change Projects

Understanding and approach

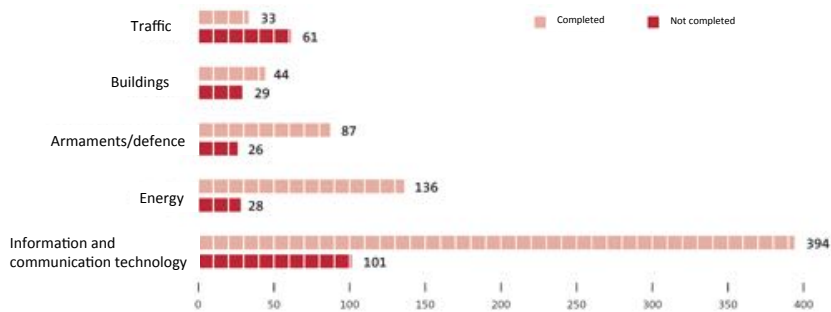


### The Classic Waterfall Model



A good method for managing scheduled, limited, goal-oriented projects in a stable setting

## Study “Major projects in Germany” - Results



## Study “Major projects in Germany” - Explanations

### Technology

- Interface complexity
- Unforeseen changes in the project technology
- Unknown risks for project launch

### Economy

- Conflicts of interests not considered
- Wrong incentives for companies

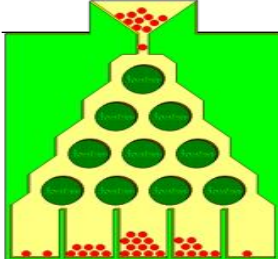

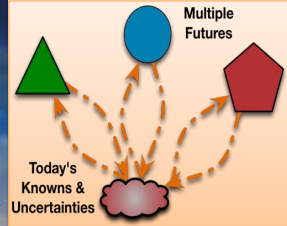
### Policy

- Strategic deception
- Inexperienced planners
- Unsuitable governance

### Psychology

- Over-optimism
- Systematic overestimation of advantages and
- Underestimation of risks

## Risk – Basic Elements of the Waterfall Model

Risk	Insecurity	Uncertainty
The occurrence probabilities of the points of leverage are known	The important points of leverage are known but their occurrence probabilities are unknown	Neither the points of leverage nor their occurrence probabilities are known
		

## Planning for Uncertainty

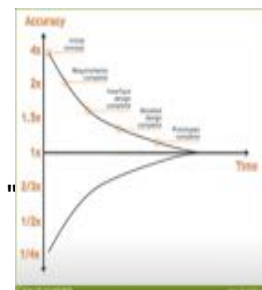
Uncertainty -- in the economy, society and politics -- has become so great as to render futile, if not counterproductive, the kind of planning most companies still practise: forecasting based on probabilities.

Unique events have no probability. [...]

Traditional planning asks, "What is most likely to happen?"

Planning for uncertainty asks instead, "What has already happened that will create the future? "

Peter Drucker. 1992



## What to do?

- ✓ Expand the organisation's field of view
- ✓ Consider decision-making behaviour under the aspect of uncertainty
- ✓ Heuristics and principles – instead of statistics and rules

## Expand the Image of the Organisation

**Machine:**  
clear processes  
> predictable



**Culture:**  
common ideas  
> socially constructed

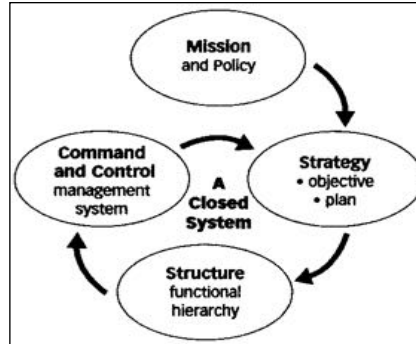
**Brain:**  
creative production  
> self-organised

**Political system:**  
network of powers  
> guided by interests

Morgan: Bilder der Organisation. 1997.

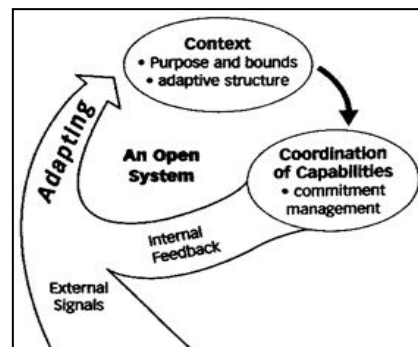
## From the Make & Sell Organisation ...

- Assumption: *predictable* change, ignore as long as possible.
- Goal: become an *efficient* enterprise.
- Strategy: forecast what the market will want, and minimise the cost of making and selling it.
- Mission & policies: are constant, and act as guiding *Pole Star*.
- Structure follows strategy.



Haeckel: Adaptive Enterprise. 1999

## ... to the Sense & Respond Organisation ...



- Assumption: *unpredictable* change
- Goal: become an *adaptive* enterprise.
- Strategy: adaptive organisational design to respond to individual customer needs.
- Mission & policies: clear organisational context: reason for being, and governing principles.

Haeckel: Adaptive Enterprise. 1999

## Altered Realities I: Rule

Rules are applied – and only then are they adhered to (or not), because their intent is confronted by “reality” only upon their application. And then the rules have to be interpreted flexibly.



## Altered Realities II: Order



Order is a snapshot and /or an ideal.

(Stable) order is “especially unsuitable for steering or checking up on activities that are expected to induce instability, insecurity and change.” Rosenberg, N./Birdzell, L.E. (1985)





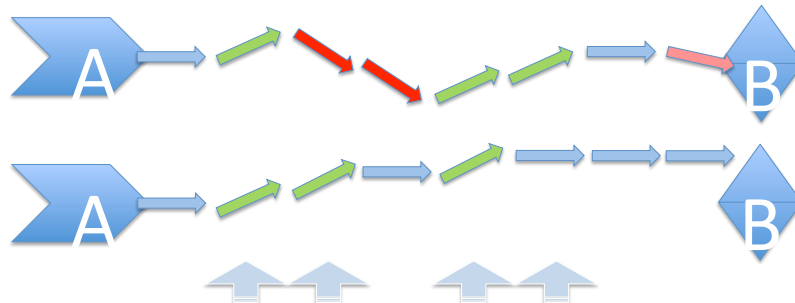
### Altered Realities III: Power

Power is always less a question of (positional hierarchy, and more a question of who controls which zones of “uncertainty” of other people.



### Altered Realities IV: Goals

Goals are hypotheses and current points of orientation – not states about which we can be sure that in the (distant) future people will believe they had wanted them.

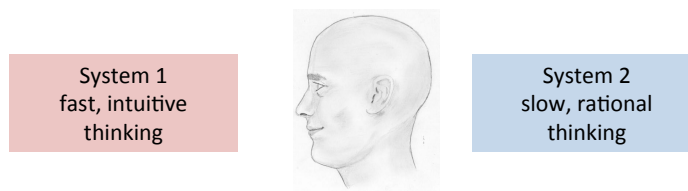


## Decision-making Systems under Scrutiny



## System 1 and System 2

Social orientation

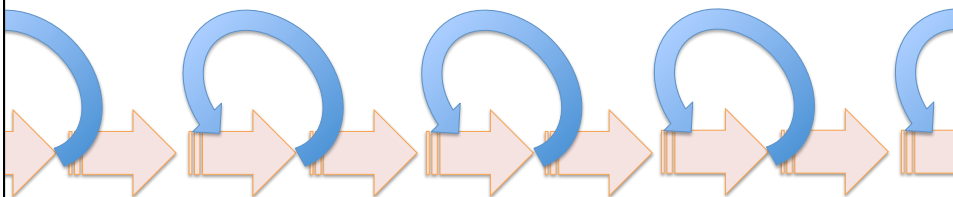


Self-orientation

## The Jobs of the Two Systems

System 1: fast	System 2: slow
... operates automatically and fast, largely effortlessly and with no conscious control.	... is mobilised if a question arises to which System 1 does not provide an answer.
... allows us to see the world as more orderly, simpler, more predictable and more coherent than it actually is.	... is responsible for doubting and not believing statements, but is sometimes busy and often lazy.
... feeds the illusion that we have understood the past, and feeds the additional illusion that we can predict and control the future. These illusions have a calming influence.	... diverts attention to the strenuous mental activities that need it, including complex calculations.

## Challenge (not only) for Change Management



One should build strenuous, doubting and uncertainty-creating “loops”...

...into the fast, coherent, predictable and orderly planning steps.

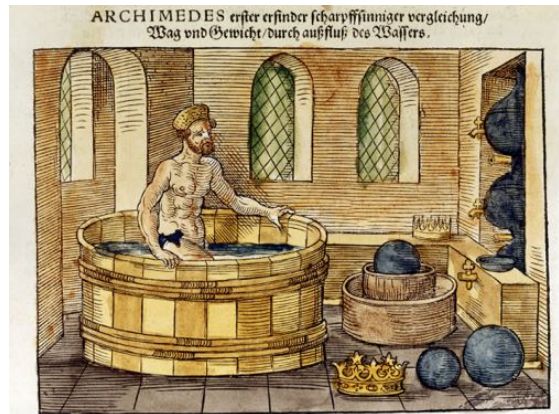
to counteract the two possible reasons for the non-effectiveness of System 2: ignorance or laziness.

## From the World of 1 to Support from 2

We need statistical methods to deal with known risks,

and heuristic methods whenever we are dealing with uncertainty.

*Gigerenzer*



## Heuristics

“If a customer has not bought anything in the last x months, it is no longer a customer.”

“Start small, grow big organically”

“Minimise initial investments”

“Repeat successes to take full advantage of them”

“If a person is not honest and trustworthy, nothing else matters.”

“Hire good people and let them do their jobs.”

“When it comes to assessing a plan, people are just as important as the plan.”

Gigerenzer /  
/ Bingham /  
Eisenhardt:  
Rational  
Heuristics.  
SMJ 2011

## General Principles instead of Detailed Rules



Commitment: expectations are negotiated and determined in the team.

Waterline: each person decides what responsibilities he or she believes he or she can assume (above the waterline).

## General Principles instead of Detailed Rules



“It is 1,000 times better to apologise after the event than to ask in advance.”

## General Principles instead of Detailed Rules



The branches decide on sections of the assortment, personnel, and in some cases on wages.

Decentralised organisation brings accountability with it – the head office is a service provider

## General Principles instead of Detailed Rules

The logo for Handelsbanken, featuring the word 'Handelsbanken' in a bold, blue, sans-serif font.

Only relative goals: as an annual comparison with similar departments

Head office provides services for the other departments – overruling is not permitted.

Collective bonuses – only as ex-post rewards

## General Principles instead of Detailed Rules



No guidelines – e.g. instead of “travel guidelines”:  
“travel the way you yourself would travel”

Delegating competencies: if you cannot do something,  
leave it out – or shift the job onto your team.