Strategic Conversations as the Means for Organizational Change; A Case Study

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"Every man is a particular kind of leader, no leader is a particular kind of man" [ancient Chinese proverb, adapted]

Abstract

This paper describes the struggle of SDRC, until 2000 a leading global supplier of Mechanical Design Automation (MDA) and Product Information Management (PIM) solutions, to authentically express itself in the markets it served. The case study is based on the experience gained over a period of four years. Since 1995, various approaches had 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 then 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 started six strategic initiatives, of which four are described in this paper. The author was intimately involved in all of these, either in a leadership role or as a facilitator.

- SIDT (Strategic I-deas Direction Team) started as a product strategy activity that evolved, in part, into a corporate strategy activity. SIDT was based on Systems Thinking (Senge, 1994) and teamwork (Katzenbach, 1994)
- SMP (Strategic Management Process) 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.

- F-MDA (The Future of Mechanical Design Automation) was a product vision initiative based on the Future Search Conference (FSC) model (Weisbord, 1992).
- CCSD (Customer Council for Strategic Direction) was initiated in 1998 to bring together key customer executives, industry leaders, academe, and Engineering IT Company's executive management. CCSD was based on Open Space (Owen, 1992) and Dialogue (Bohm, 1984).

This paper describes each of these initiatives in terms of four phases, observation, understanding, planning, and action.

Where we where in 1999

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.

The Four Initiatives

Strategic I-deas Directions Team (SIDT)

SIDT was begun in Spring of 1995, directly after a financial scandal that shook the company. The new CEO asked the corporate planning group to provide an analysis of the current product situation and to recommend how to go forward. As the Manager of Strategic Planning. I proposed a cross-functional effort to understand short-term and long-term product challenges, from an internal as well as external perspective.

SIDT was organized along the ideas of cross-functional teamwork and Systems Thinking. A number of cross-functional teams were established to enable the diverse viewpoints concerning product and corporate direction to emerge. These teams provided the means to gather the information. A small core team, led by me, was responsible to consolidate the input and to translate it into short- and long-term directions for the company's main business. Core team members included the CTO, the VP of Product Development, the VP of Marketing, the General Manager for Central Europe, and several other senior mangers. The team got direction and guidance directly from the CEO. The extended teams provided the means to gather the information. In total, more than one hundred people from all across the organization became involved in this effort at different times, while the core team remained relatively unchanged. The core team met every other weekend from February 1995 to October 1995. All other team activities happened during regular working hours.

Brainstorming techniques were used to gather the diverse viewpoints from across the company. For a period of several months these brainstorming sessions went on in parallel, involving group sizes between 5 to 40 people. The information from these sessions was collected and fed back to the teams that created it for validation. This process resulted in several binders of raw data that became the starting point for the weekend meetings of the core team.

These brainstorming sessions enabled a large part of SDRC to feel "involved." The CEO, who frequently used his employee sessions to point out the importance of this activity for the whole company, reinforced this "feeling of involvement." At this stage there was great enthusiasm among the employees and a lively conversation about strategy was going on at all levels.

Overall, the work of creating collective understanding and insight during the SIDT process was painful and lengthy.

Two, mostly unconscious, means were used to understand the information and data created as part of SIDT. First, the core team

held weekend meetings they looked at the data and tried to make sense of it. The key mechanism to communicate the evolving understanding was a set of charts. These charts were brought up to date on a weekly basis, so they always reflected the current state of mind of the group.

The second means of understanding came about through a regular Thursday night session where I attempted to create a relationship between the work of the core team and my own personal insights. The core team reviewed the reworked information each weekend to validate its content and gain consensus. This often required some "selling" of new or unfamiliar ideas.

The strategic plan developed during the SIDT process was based on an understanding of internal and external forces. Elements of the plan included competitive analysis based on Porter's Five Forces model (Porter, 1986), strategy (Hamel and Prahalad, 1994), and market transformation (Drucker, 1995). The structure of the plan followed a very simple sequence:

- Acknowledgments
- Plan objectives
- Inbound forces
- Insights
- Product direction
- Implementation
- Actions
- Commitment

The document itself was continually revised and used as the official voice of the team. The content was agreed upon during the weekend sessions of the core team. At the end of the SIDT process, and at certain checkpoints, the plan was also shared with the extended team, including members of the Board of Directors, the entire Executive Team, and the CEO.

The planning stage of SIDT ended in October 1995. The plan was communicated during an executive meeting in which all core team and review team members participated. At the end of the presentation the CEO asked everybody in the room individually whether they supported the plan or not. Everybody was in favor of the plan. The CEO declared the successful completion of SIDT and the core team was dissolved. The core team members pledged to communicate the plan across their constituencies and the core team leader was chartered to develop a proposal to integrate the recommendations into the formal organization.

Over the next 3 months, the plan was communicated more widely, gaining support and momentum. The high point came when the plan was used as the underlying theme for the company's annual worldwide kick-off meeting.

The rude awakening came in a meeting in early 1996 where the former core team leader presented the proposal that defined co-dependencies, milestones, process-flow and measurements for the strategic plan's implementation. The proposal linked the strategic plan with the existing annual planning activities of the organization, such as the Annual Financial Plan, The Product Plan and others. During the presentation of the follow-up proposal, basically all support for the strategic plan eroded. All activities to implement the strategic plan had stopped. What had happened?

Strategic Management Process (SMP)

Based on the experience with SIDT, Engineering the company decided in 1997 to explore the world of strategic planning more thoroughly before any initiative was started. This time, I 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, focusing on six in more detail:
  - The Art of War (Sun-Tzu, 500 B.C.)
  - What is Strategy – and does it matter (Whittington, 1993)
  - The Rise and Fall of Strategic Planning (Mintzberg, 1993)
  - Managing for the Future (Drucker, 1995)

- – The Mind of the Strategist (Ohmae, 1982)
- – The Art of the Long View (Schwarz, 1991)

- Theme searches on the world-wide-web with focus on:
  - Consultants and their methodologies in the areas of strategy and organizational development.
  - Sites containing examples of strategic plans, such as non-profit organizations, churches and the Department of Defense.
  - Processes and methodologies used in strategy development, in particular processes with an underlying holistic approach.

  These searches provided some understanding of current consulting approaches and their success stories. It also provided comfort because we realized how many companies were in the same spot.

- Training workshops to learn methodologies for large-scale participation, leadership, vision, and learning organizations. Specifically, this included 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?
- HOW do we operate today?
- WHERE do we want to be in the future?
- HOW will we operate in the future?
- WHAT are the opportunities?
- HOW do we seize the opportunities?
- HOW do we measure our actions?
- HOW do we react to gaps between actions and plans?

The sequence of the questions determined the different SMP process steps as described in Figure 1.
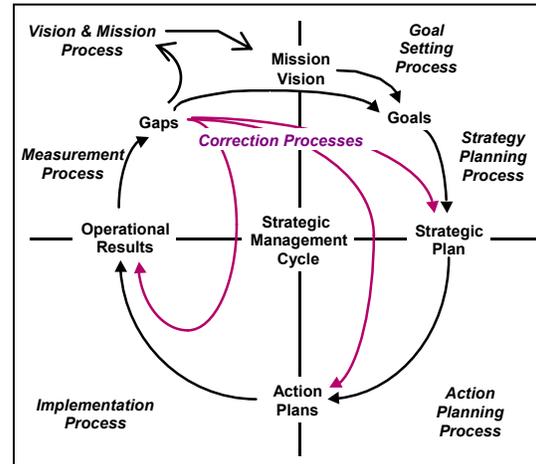

Figure 1, SMP Processes

The SMP sub-processes were closely related to the plan document itself. The following lists the elements it included:

- Initial Purpose
  - Vision / Mission / Values
- Goals / Targets
  - Financial
  - Markets and Industries
  - Products and Technology
  - People and Competencies
- Environment Scans
  - Internal and External
  - Strength and Weaknesses
  - Value Chain
- Direction Setting
  - Opportunity Analysis
  - Gaps (Today/Future)
  - Risks
- Strategy Formulation
  - Short and Long Term
- Implementation / Measurements

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 SDRC'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 conditions:

- Understanding of market evolution and industry focus, developed by the executive team prior to this event.
- The key question: "What do we know about us and our environment today and where do we want to be in the future?"
- Twelve additional questions, developed by the executive team prior to the event, and posted already on the Open Space agenda.

After sharing of these conditions in the opening ceremony, the event followed only 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.

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.

Although significant understanding evolved out of the Environment Scan, other means to gain insight were used by the strategy group, among them:

- Dialogue
- Guided Group Sessions

Dialogue (Bohm, 1996), based on its Greek roots *dia-logos,* which can be translated as "meaning flowing through", enables a group to undertake an inquiry with the potential of collective understanding to emerge. In particular, the dialogue sessions revealed the need for closeness among the team members as a prerequisite for open and honest conversation. Two dialogue sessions happened during the SMP activities, both enabling the team to develop some basic understanding of markets and industries the company serves. But in hindsight, the greatest value of these dialogue sessions might have been the opportunity for the team to speak freely and without constraints about the topics that really mattered.

Guided Group Sessions enabled the team to develop initial thoughts about business opportunities and goals. This was done in several one-day conversations around selected topics, guided by a member of the executive team following the process steps of SMP. Based on voting, the group

developed an understanding of where it had similar or dissimilar understanding of a given subject. The results were recorded and fed back to the team in form of presentations.

The creation of a plan in SMP was the responsibility of the Vice President of Strategic Planning who was also the formal leader of SMP. This step followed the plan outline described earlier in this chapter. The elements of the plan were discussed during group sessions, guided by the team leader. Team members expressed insights and opinion concerning their specific views, and the team leader consolidated those into one consistent document.

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.

The Future of Mechanical Design Automation (F-MDA)

In September 1997 the process of a Future Search Conference (FSC) was used to develop product strategy in context of the corporate strategy that resulted from the SMP experience earlier that year. FSC covers the entire strategic cycle from observation to action plans. The usual three-day FSC framework was modified into three sessions of two days each. In these six days, the principles of FSC were followed to the letter. In the process of organization observation, the following FSC steps proved to be very helpful:

- Time-lines
- External Trends Mindmap
- "Prouds" and "Sorries"

Time-lines helped us to connect to our past. Writing down events based on Individual, Engineering IT Company and Global observations, provided the data to create a map of the past. This map was useful in revealing patterns of behavior that continue to have significant impact on the company.

The Mindmap activity revealed the different points of view that existed regarding technology trends, business drivers, competition and other observations in the market and within Engineering IT Company. This activity provided several breakthroughs, in particular a new understanding of individual beliefs.

"Prouds" and "Sorries" allowed us to express, with passion, what had been done in the past. A storytelling format, combined with the capability to say: "Here is what I'm proud of" and "This is what I'm sorry for," proved to be powerful tools to complement our otherwise rational points of view.

Creating insight and understanding, both individually and collectively, followed the prescribed pattern of FSC.

- Conversations around the collective "Mindmap".
- Creation of stakeholder "Mindmaps" as a follow-on activity to the collective "Mindmap".

One of the most revealing activities of the whole FSC was the creation of the collective Mindmap (Figure 4). The obvious result of the mindmap was a list of trends related to business, technical and internal observations. The real insight, though, emerged because the non-linear organization of a mindmap let the group to share definitions and create relationships among trends.
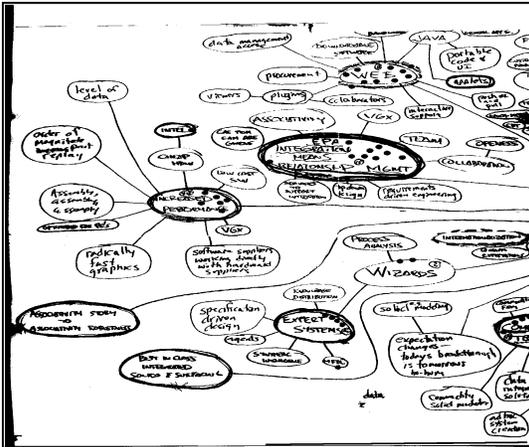
Figure 2: Partial Mindmap

This proved to be useful in determining the focus areas of groups such as product development, marketing and planning. Again, the capability to express these different points of view allowed for a more holistic view of reality and the emergence of real understanding.

The means for creating a plan in a Future Search Conference are the following group activities:

- Desired Future
- Common Ground

The capabilities of FSC are powerful in collectively creating a common plan. The structure of FSC also provided the opportunity for everyone to express his or her view without restriction. The large group sessions during this phase of the process created needed clarity, particular the conversation about "What to include and exclude from the future product".

Most powerful was the Common Ground session, which resulted in a high- level definition of the overall product direction, consistent with SIDT and SMP. This definition served as the backdrop for action planning, resulting in a set of immediate and long-term activities assigned to specific individuals or groups.

Commitment to and alignment with action are key components of a Future

Search Conference. The last two days of our FSC were dedicated to action:

- Action Planning
- Commitment
- Coaching

Action Planning is based on the newly discovered Common Ground. Actions are developed individually and in stakeholder groups. This structure supports alignment naturally because stakeholder groups are bound together by common interest. Commitment sessions require public commitment to action. Action owners state what they want to do, by when and whose help is needed. Coaching is a way to define support structures after the conference, based on passion for the action proposed and compassion for the owners who committed to them.

These process steps resulted in a set of well understood and commonly agreed upon actions. Furthermore, these actions addressed real needs of the company, among them:

- Alignment of strategy with existing plans
- Clarification and detailing of the strategy into tangible operational plans
- Clarification of key technologies as part of the strategy

The recommendations of the group also included a recommendation to continue the Strategic Management Process as the means to develop long term vision and direction. The state of the group at the end of FCS was cautiously optimistic (Figure 3):
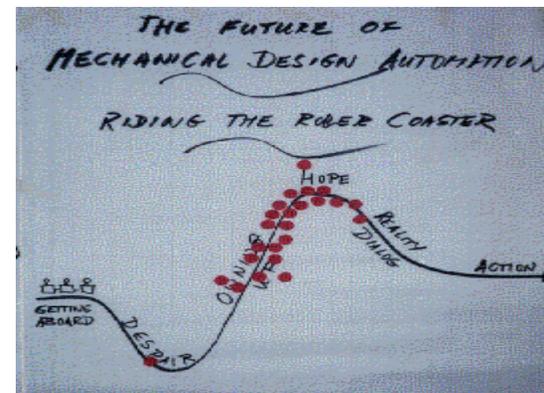

Figure 3: Cautious Optimism

Customer Council for Strategic Direction (CCSD)

In early 1998 Engineering IT 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.

In the sub-group meetings, the observation work happened in multiple forms. Informal conversation, formal presentation (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 composition of the groups, i.e. the mix of internal and external participants, 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' business and technology challenges.

The CCSD sessions happened in June 1998 and benefited from the experience we had gathered in the preceding initiatives. Structurally, CCSD was designed to encourage dialogue and open sharing of thought information?. Group understanding and insight was the result of the following methodologies:

- Facilitated conversation
- Group presentations
- Dialogue sessions

Facilitated conversation, using a U-shaped seating arrangement with a facilitator in front of the group. The role of the facilitator was mainly twofold, to keep the conversation going, and to record the conversation on flip-chart.

Group presentations provided the opportunity to share results, insights and observations of the different sub-groups that formed because of the Open Space agenda.

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.

We used Dialogue sessions to end each day. Two techniques helped to make these sessions very successful, the use of the Native American talking stick and a rule, adopted from the Quakers, that one would only speak if one had to   something of significance to say.

The Learning Experience

The following describes the learning that occurred during the past four years in two different ways. One is based on the mental model pictured in Figure 4, representing the learning cycle in form of its stages:

- Observation – Activities to record, without distortion, what occurs in the whole system (inside and outside of the company.
- Understanding (insight) – Processes to make sense out of what has been observed.
- Planning – Processes to create common mental models (vision) and shared meaning
- Acting - Short or long-term action the organization undertakes in support of its vision.

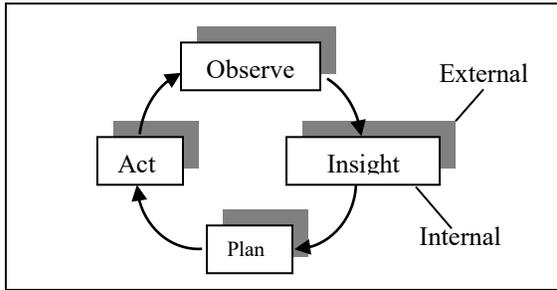It is our experience that these stages often happen in parallel.

Figure 4: Basic Mental Model

The other method, influenced by Systems Thinking (Senge, 1994) provides a wholistic learning perspective. This way of thinking is often explained using an iceberg (Figure 5) to depict the increasing levels of systemic understanding.
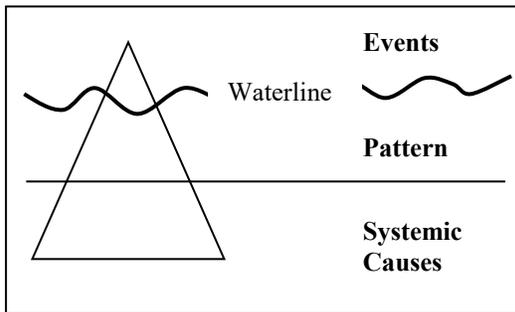
Figure 5, Iceberg Analogy

- Events are isolated descriptions of what has happened.
- Patterns are established by grouping events with similar characteristics together, enabling the emergence of possible trends.
- System Causes describe the structures that cause repeated behavior (pattern) to happen.

Characteristics of observation, insight and planning are described using the "learning cycle" methodology. The action phase is analyzed based on the "iceberg" methodology because all initiatives that included plans and actions broke down during that stage.

Stages of the Learning Cycle

The analysis of the four initiatives using the framework of this model revealed, for each stage, some key characteristics of our behavior expressed during these stages.

The key positive behavior of the observation stage is the capability to listen, based on:

- The ability to suspend assumptions (Senge, 1994), enabling a more complete picture of reality to emerge;
- The ability to suppress the urge for instant response, enabling true understanding (Peck, 1992); and
- The ability to express mutual empathy, enabling trust to be build among the participants that partake in the conversation (Covey, 1990).

Equality of participants proved to be the leading prerequisite that is required for these characteristics to emerge. The structure of Open Space and Dialogue fulfilled these criteria naturally.

"Meaning making" is a human characteristic (Maslow). Collective understanding (meaning) was best created when the following conditions were present:

- Diversity was valued and accepted as a prerequisite for "rich" conversation;
- Individual views were understood as important but limited means to fully describe complex environments;
- Open sharing of individual thoughts, among non-judgmental peers, has the potential for collective insight that can not be achieved on the individual level (the whole is bigger than the sum of its parts).

Mindmaps, Dialogue and Open Space proved to be powerful methodologies that enabled collective insight. An important organizational element of these methodologies is the circle. The seating arrangement in Open Space and Dialogue enables equality of the participants and prevents individual domination because there is no physical location in a circle that supports it. The circular arrangement of topics around a central theme in a Mindmap has a similar effect during the conversation of the map.

Except for CCSD, formal planning documents were created during these initiatives. Although the process steps to develop the plan documents were similar, differences existed regarding breadth and depth of the plan outlines. All plans included some key elements of strategic planning, i.e. answers to the key questions - Why, What, How, When and Who. But the plans leveraged existing strategic knowledge differently, which was apparent in the following areas:

- SIDT leveraged vision as the key "guiding" principle for corporate direction,
- SMP introduced the concept of goals, opportunities, and core competencies as key ingredients of strategic thinking,
- F-MDA provided a systematic and multi-dimensional framework that balanced past and present experience with organizational self-determination.

The most puzzling experience in all initiatives, (again except for CCSD, where no plan was written) 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 (SIDT, SMP, and F-MDA), 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 following analysis of the action phase, based on the "iceberg" methodology, offers some explanation why the chasm between plans and action exists.

Systemic Causes

The repeated experience of 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 tensions the organization faces and continues to wrestle with, among them:

- Creating balance of "being driven by customer demand" and "directing one's own fate";
- Awareness of how organizational structure impacts real operational capabilities;
- 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
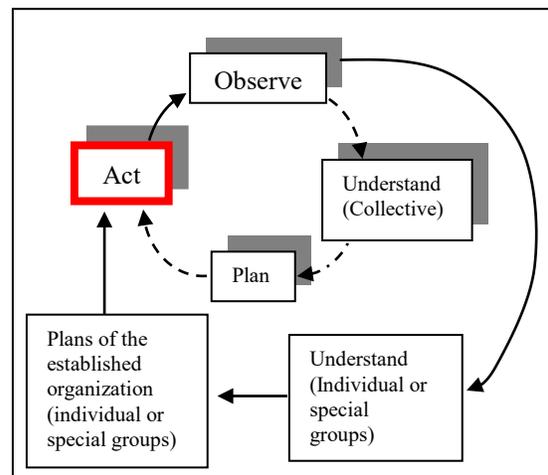
Figure 6: A possibility of how we really work

The analysis of the breakdowns at the action stage suggests at least one common underlying cause. Figure 6 illustrates two different forces that impact the direction of the company. One, the inner cycle, represents the internal activities to create long term plans, such as SIDT, SMP, and F-MDA. The other, outer cycle shows how large contracts are handled and the impact they have.

In Figure 6 the systemic challenges become more obvious. The organization is able to work in parallel because the resource requirements up to the planning stage are relatively small. The processes are relatively independent from another, which allows for conflicting recommendations to exist across the processes without being recognized or the need for resolution. But this changes in the action stage. Often, recommendations require significant resources, specifically in development. The combination of internal recommendations and external commitment often overwhelms the limited resource pool. When such conflict arises, resources are almost always allocated in favor of external commitments. Several possibilities result from this pattern.

One implies a scenario in which the organization moves rapidly forward on parallel path in the observation, understanding and planning stages only to be set back in the action stage. This parallelism is rooted in two different motivational forces that drive the organization. The commitment by the sales organization to fulfill potential customers needs, although the available product lacks some of the promised capabilities, and the commitment of the planning process/organization to independently determine long-term direction based on market understanding and creative innovation. If not clearly understood, it becomes a truly vicious cycle, preventing the organization from building positive momentum.

The other possibility is that these parallel paths compound each other. SIDT is an example of the positive impact of the

sales/customer service commitment saving the internal strategic planning process. In early 1996, during the last SIDT meeting, all corporate support for the recommendations had faltered. No other strategic initiative was planned for 1996. But despite this unsatisfactory situation, a happy ending was emerging. This was mostly due to the strong influence of an extremely large contract the selling side of the company had won in late 1995. This contract propelled the company into the major league of the MDA industry. Fulfillment of this contract and operational excellence were of utmost importance during that time.

The expectations set by this contract were fortunately strongly aligned with the recommendations of SIDT. Strategy implementation was largely synonymous with implementing this contract. So where's the problem? Unfortunately we did not fully appreciated this possibility. Even today we still struggle to accept our co-dependence on our markets and customers.

Structural Determination

In their autopoietic theory, Humberto R. Maturana and Francisco J. Varela describe the principle of structural determination, i.e. that the actual course of change in a systemic entity is controlled by its structure. This principle, applied to a hierarchical business organization, might suggest, that the capability of such an organization to change, largely rests with the capability of the CEO and his team to lead this change. Without the determination at the top, any change effort might become mired and will, eventually, fizzle away.

Again, SIDT provides an example of the impact the CEO and his decision-making style has on the whole organization, in particular if this organization is essentially a bureaucratic hierarchy.

- The actions proposed by SIDT, if fully implemented, would have had significant impact on the "freedom of decision-making" of the individual operational units, e.g. Sales, Marketing and Product Development. As a result, some leaders of these units did not agree on and follow through with the common model

for implementation proposed by SIDT, despite their public support of the plan.

- The CEO strongly believed in consensus and did not want to dictate the implementation of the action plan.
- His team, unfortunately, was relatively splintered and self-interest overpowered the desire for common action.

This conflict did not surface during the "safe" process steps of SIDT, i.e. during observation, insight and, to some degree, during planning. When the plan needed to be put into action, it clashed with the individual plans and actions of the different organizational units. The Executive Team could not find consensus by itself, and looked to the next organizational level, the CEO, for resolution. Because the style of the CEO was based on consensus, this did not happen. Because of the hierarchical nature of the company's structure, i.e. looking to the next higher level for conflict resolution, other options were not considered by the team.

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 the four initiatives, is that this individual change actually happens.

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 SIDT had brought to life. Unfortunately this event was a rare exception. The following characteristics might provide an explanation.

For the most part, the value system of the company encourages individualistic and heroic acts. Although teams are an integral part of the company and recognition of team contribution is increasing, the "hero" is still ingrained in our thinking, in our culture. This thinking might prevent full engagement of team participants because, except for the team leader, contributing to the team is less attractive to the team member, than is making an isolated contribution that gets credited to the individual.

"Forgetfulness" and "hero worship" might force the company to "reinvent the wheel" too many times. The combination of these two characteristics might point to a deeply rooted cultural behavior that actually prevents system-wide momentum instead of encouraging it.

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. The path from SIDT to current strategic planning activities 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 identify, 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, 1999 we were 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 conversation about our identity and our future alive, actual change is happening. This is not a bad place to be.

… but the story ended at last completely different.

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