Transformational Change Through Systems Thinking

Martin Parr, Ian Cammack and Jim Scholes

The Presenters

Our understanding of who you are and what you want, based on your input

- Most of you have roles in education & training

- Some of you are consultants

- Others have various managerial & leadership roles in a range of enterprises

- The levels of experience in transformation, and systems thinking, vary enormously across this group

- Collectively, your main hopes are to learn about:
  - "Systems thinking"
  - "How to do change"
  - Understand some "practical examples"
 - Finding helpful ideas for dealing with specific problems

What we will deliver in this webinar

- Lessons from our experience of conducting a range of transformative projects in public and private sectors

- Some ways that "systems thinking" can help practitioners design, deliver and learn from transformation projects

- Some possibilities for your future study and action

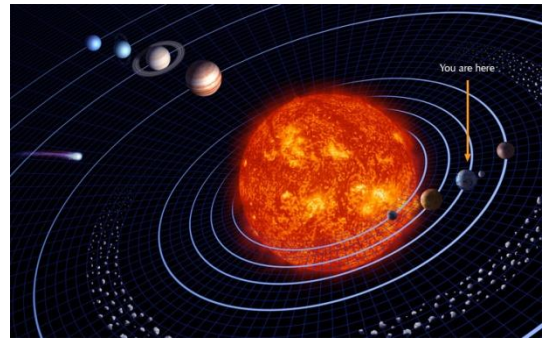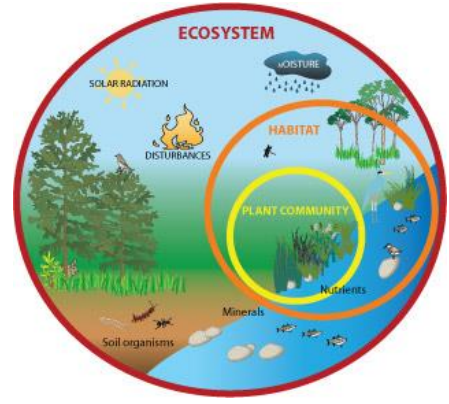# What Kind Of Thing Do We Mean When We Talk About A "System"?

Nervous system
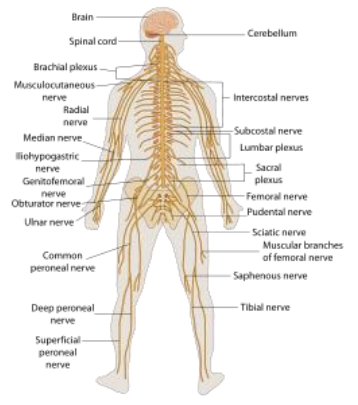
PA system

Educational system

Solar system

Ecosystem

Power system

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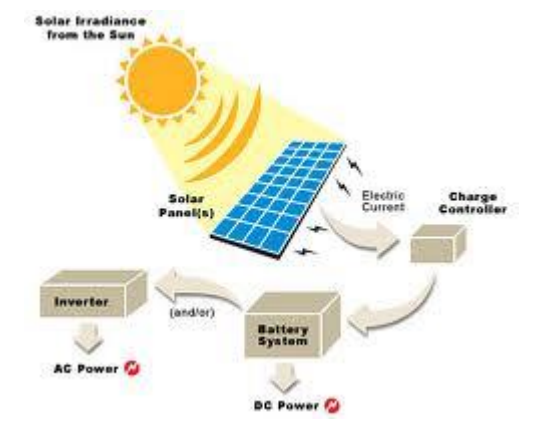
"System" Defined In Relation To Transformation

- A ***model*** of a whole entity, characterised by its ***emergent properties***
- Models of human activities include descriptions of relationships, hierarchies, emergent properties, communication and control
- We can use systems ideas to help us frame, design and manage the process of transformation

Initial state → **Transformation** → Transformed state
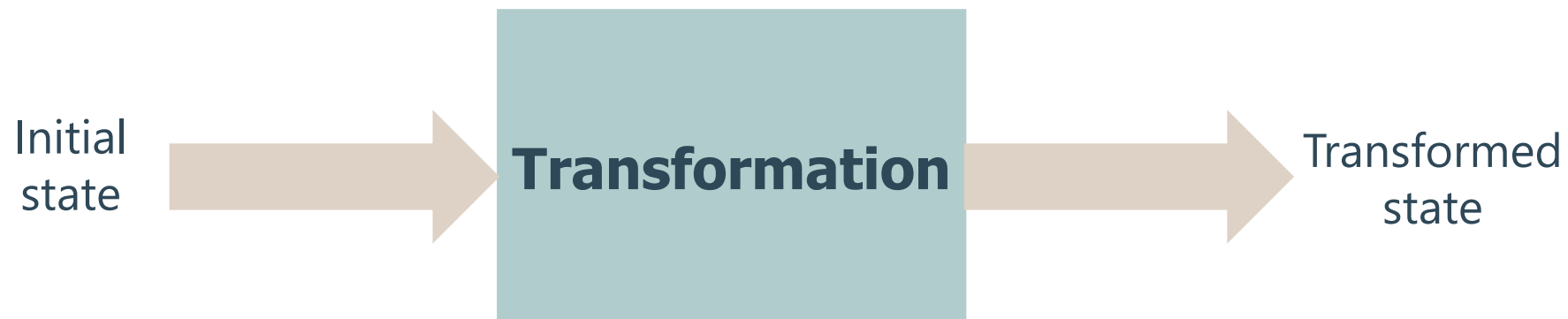
A Desire For "Transformation" Implies Existing Dissatisfaction And Wanting Something Better:

Initial state → Transformation → Transformed state

Transform Your Home Office

Transform Your Hair

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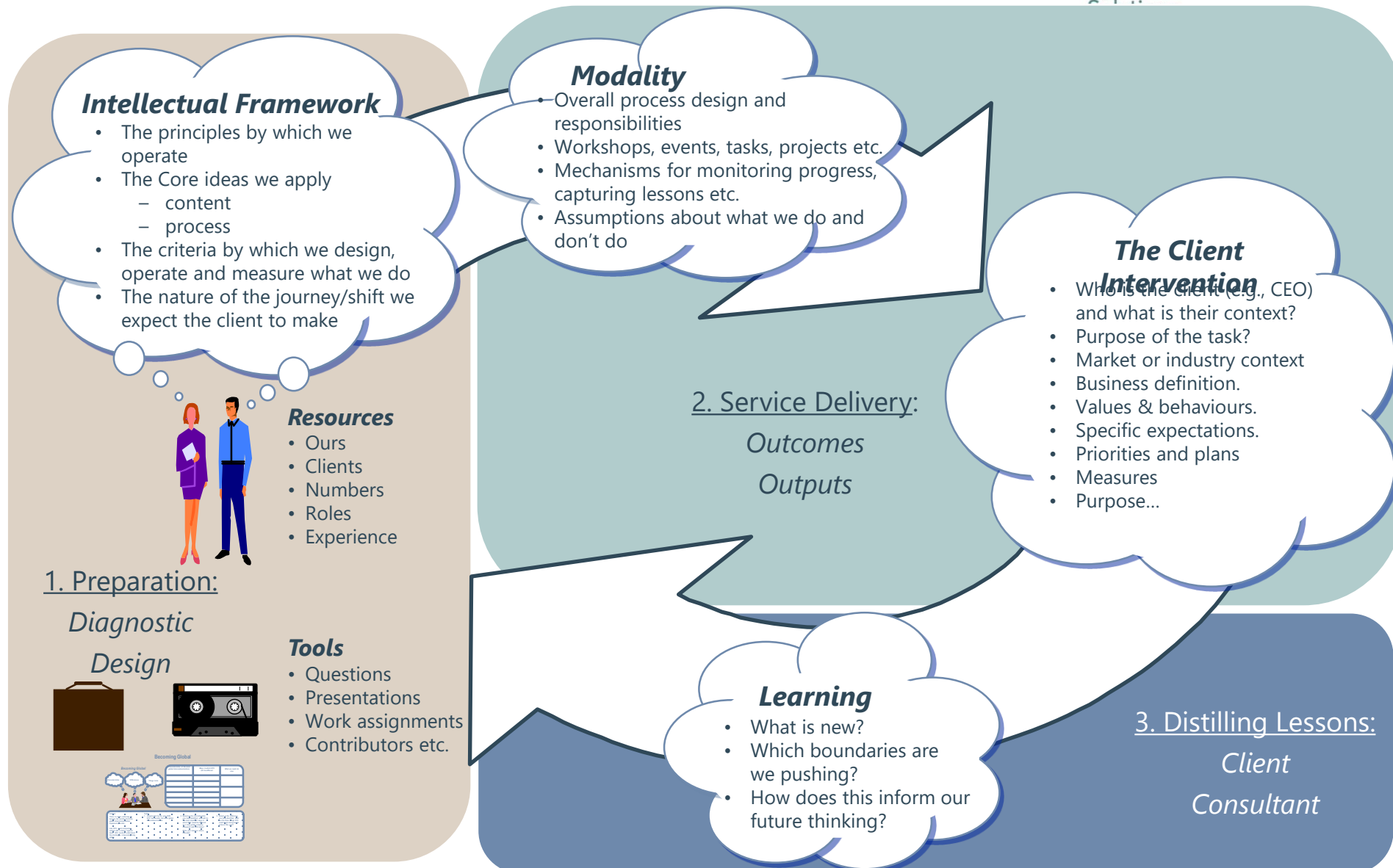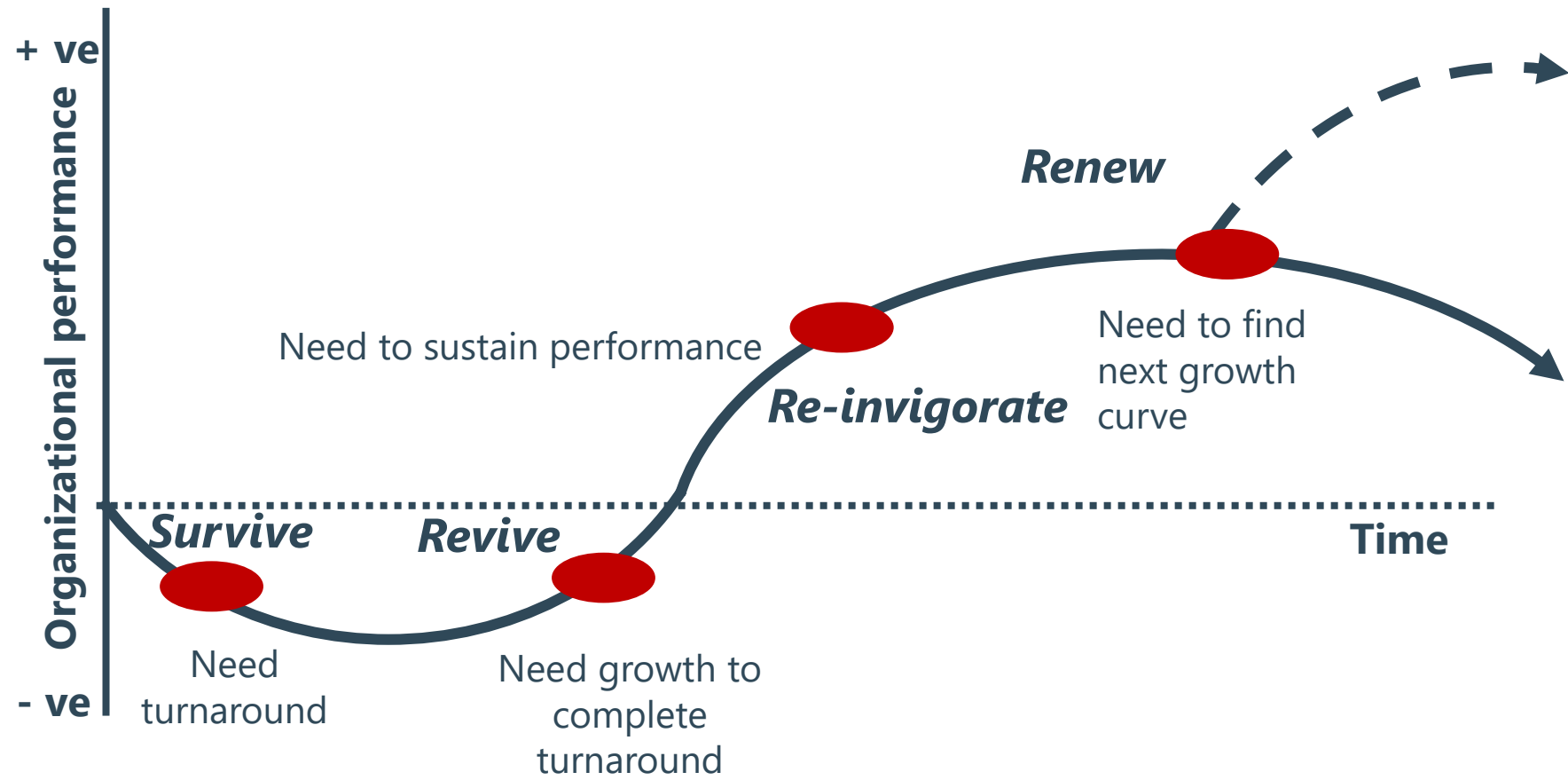# We're Sharing Lessons Based On Experience of A Wide Range Of Transformation Projects

Intellectual Framework
- The principles by which we operate
- The Core ideas we apply
  - content
  - process
- The criteria by which we design, operate and measure what we do
- The nature of the journey/shift we expect the client to make

Modality
- Overall process design and responsibilities
- Workshops, events, tasks, projects etc.
- Mechanisms for monitoring progress, capturing lessons etc.
- Assumptions about what we do and don't do

The Client Intervention
- Who is the client (e.g., CEO) and what is their context?
- Purpose of the task?
- Market or industry context
- Business definition.
- Values & behaviours.
- Specific expectations.
- Priorities and plans
- Measures
- Purpose…

Resources
- Ours
- Clients
- Numbers
- Roles
- Experience

Tools
- Questions
- Presentations
- Work assignments
- Contributors etc.

1. Preparation:

Diagnostic

Design

2. Service Delivery:

Outcomes

Outputs

Learning
- What is new?
- Which boundaries are we pushing?
- How does this inform our future thinking?

3. Distilling Lessons:

Client

Consultant

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We Found That The Nature Of Transformation Needed Varies Across Stages Of The "Lifecycle"

+ ve

Organizational performance

Renew

Need to sustain performance

Re-invigorate

Need to find next growth curve

Survive

Revive

Time

- ve

Need turnaround

Need growth to complete turnaround

Illustrative stages in the lifecycle of an organization

Let's Start With A Simple Illustration Of Business Transformation - What's The Model Here?

A UK petrol station in the 1950s
What was good about this business model then?

What Happened To This Business Model?

Why did this happen?

What Do You Do When Your Business Model Becomes Someone Else's Loss Leader?


By the end of 2005 supermarkets controlled 10% of petrol stations were selling 30% of fuel in the UK

When The World Changes Around You Maybe Your Business Model Needs Some Transformation

- Convenience store?
- Newsagent?
- Café?
- Florist?
- Bank?
- Last minute greetings?
- Or filling station?

The Example Of Nokia Illustrates The Different Kinds Of Transformational Challenges Faced
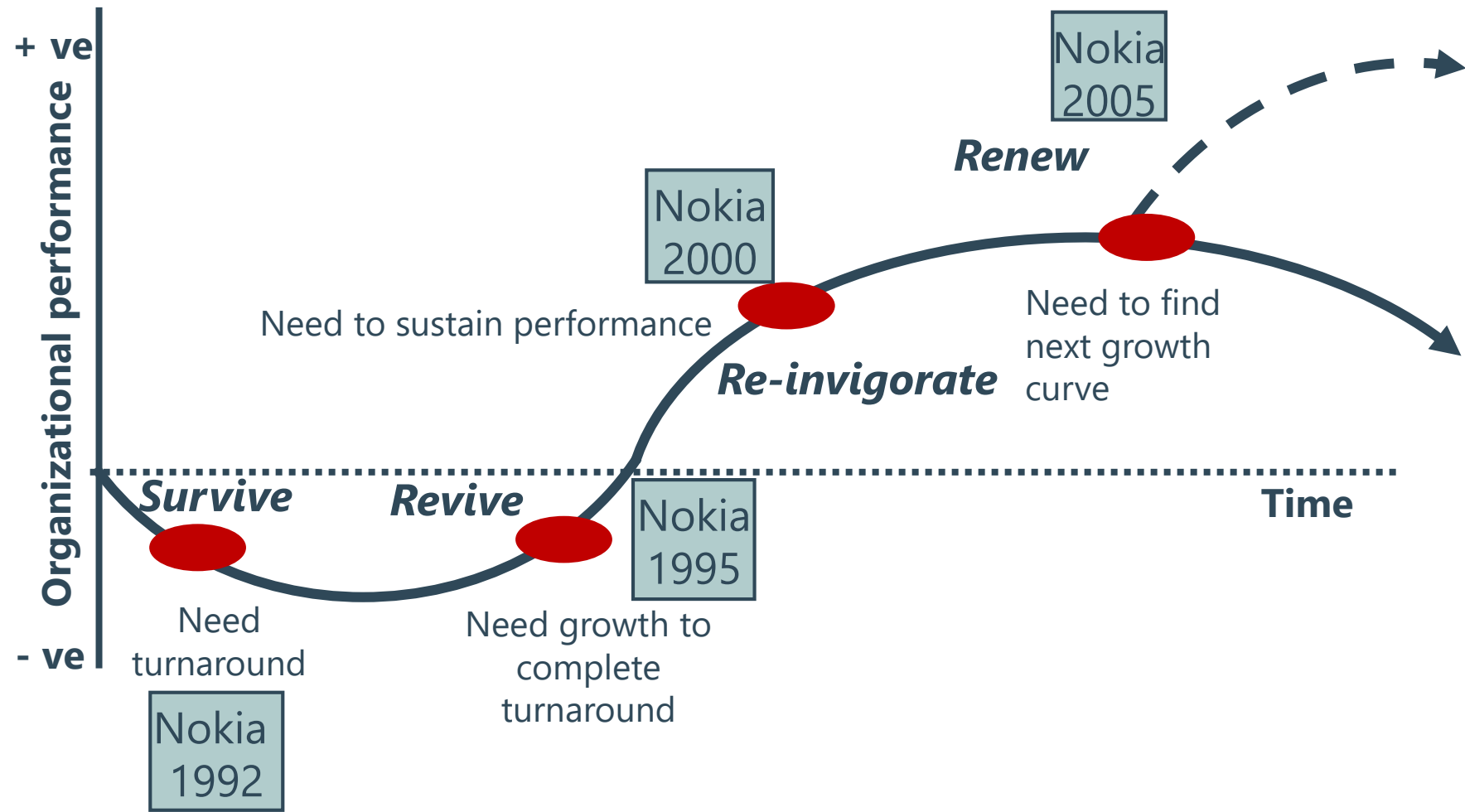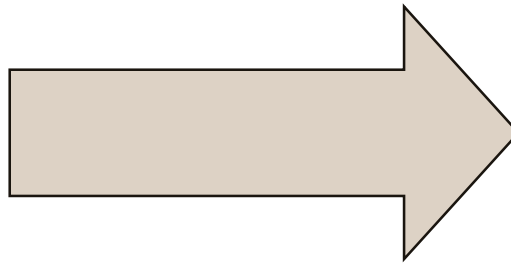
Nokia's Story

Nokia in 1991-92 – A Recession
Nokia faces challenge of turnaround and decides to focus on mobile communications – divesting other businesses. Though Nokia has some technical competencies it is relatively unknown around the world.
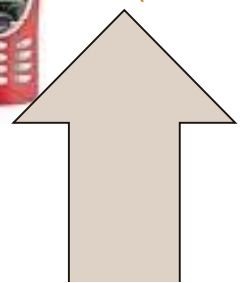
Nokia's Revival Used A "Strategic Architecture" As Its Framework For Innovation And Growth
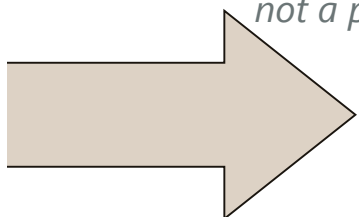

Humanize Technology
("The machine adjusts to the human - not the other way around")

Seamless Solutions
("Nokia as an integrator of technologies - not a primary researcher")

Virtual Presence
("A being there experience")

Published in Nokia's 2000 Annual Report.

By 2000 Nokia Was Global Leader In Mobile And One Of The Most Valuable Brands

Nokia records 73% increase in interim earnings

Finnish group strengthens position as world's top mobile phones supplier

By Nicholas George in Stockholm

Nokia, the Finnish telecommunications equipment manufacturer, reported a 73 per cent jump in first-half operating profits and said it had strengthened its position as the world's number one supplier of mobile phones.

The company, which overtook Motorola of the US as the leading producer of mobile handsets last year, said it had increased its market share above the 25 per cent it reached in 1998.

Jorma Ollila, chief executive, said strong sales and orders in all regions meant the company expected to "reach or slightly exceed the high-end of our 1999 net sales growth target of 25-35 per cent".

The key to the company's success remained the booming sales and profitability in its mobile phone division, where second-quarter operating profits were up 105 per cent on the same period a year earlier.

Mr Ollila said handset production should exceed 70m units this year. The company intended to keep on introducing "a continuous stream of new products". Nokia said its 7110 media phone, the world's first wireless application protocol standard product, which allows users to access internet services from a telephone handset, would be in the shops this quarter.

This renewal of its product range, allied to the strength of its brand, has meant that Nokia has suffered less than

its rivals from price erosion in the handset market, which traditionally has run at about 15-20 per cent a year. Economies of scale in production also helped the company's mobile phone division record operating margins of 23 per cent in the second quarter.

In the six months to June 30, the company made an operating profit of €1.65bn (£1.07bn) compared with €953m a year earlier, on sales ahead from €5.60bn to €8.36bn.

Operating profits in the mobile division rose 162 per cent to €1.29bn from €491m a year earlier, on sales of €5.5bn compared with €3.19bn. The mobile infrastructure division, Nokia Telecommunications, reported sales up 28 per cent to €2.5bn with operating profit up 10 per cent at €500m.

Infrastructure demand was strong, with mobile operators continuing to expand their capacity to keep pace with the growth in the number of subscribers. Nokia estimates that the number of subscribers globally will reach 375m by the end of this year.

Despite the strong rise in profits the shares fell sharply after the results were released, although they recovered in later trading to close in Stockholm at SKr758, down 3.4 per cent on the day.
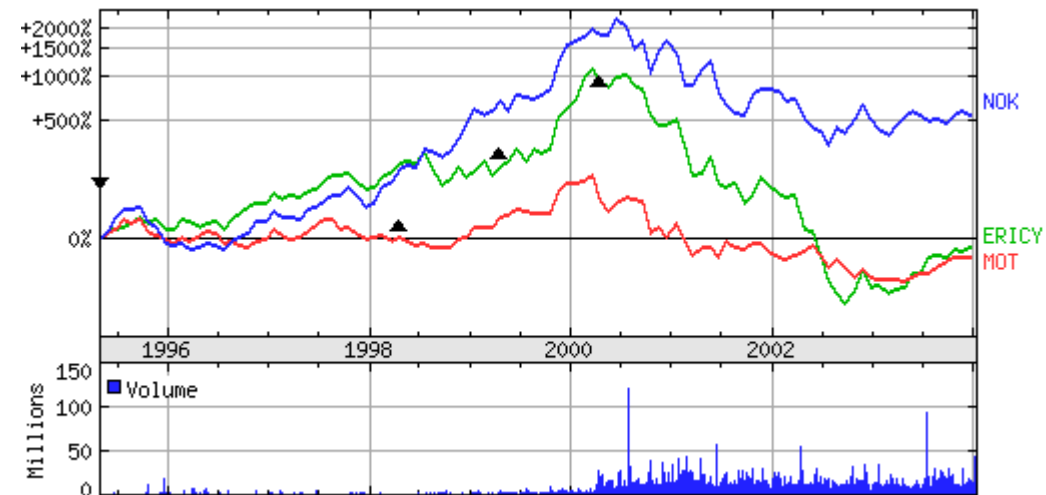
Analysts said the results were strong and in line with expectations, but the shares were trading at high levels and subject to profit taking.

Lex, Page 20

FT, July 23 1999

"A continuous stream of new products"

- Jorma Ollila, CEO

"The renewal of its product range, allied to its brand, has meant that Nokia has suffered less from price erosion"
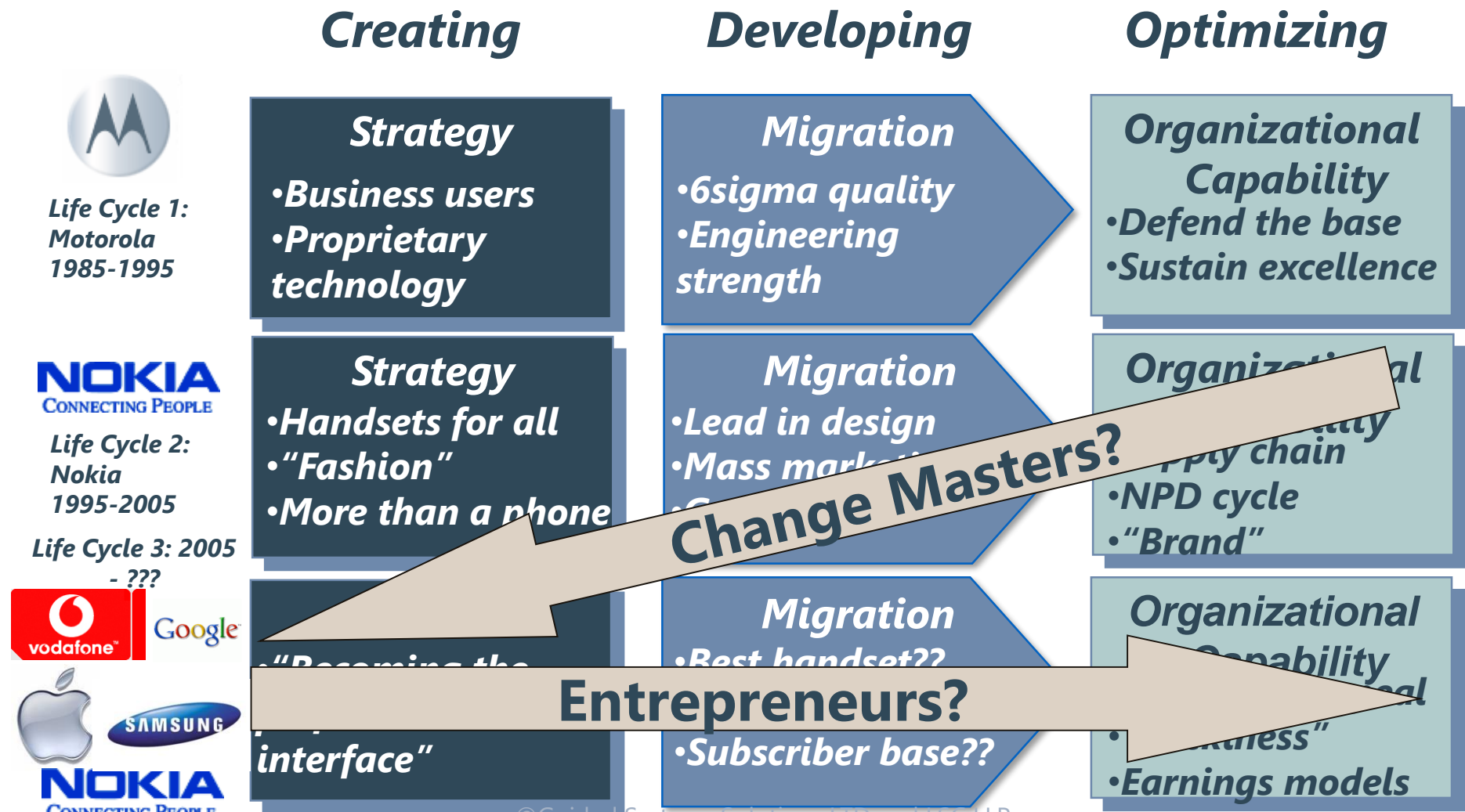
But By 2004/5 Nokia Was Wondering What Would Happen In The Next Cycle Of Mobile Comms

	Creating	**Developing**	**Optimizing**
Life Cycle 1: *Motorola* *1985-1995*	**Strategy** •*Business users* •*Proprietary technology*	**Migration** •*6sigma quality* •*Engineering strength*	**Organizational Capability** •*Defend the base* •*Sustain excellence*
Life Cycle 2: *Nokia* *1995-2005*	**Strategy** •*Handsets for all* •*"Fashion"* •*More than a phone*	**Migration** •*Lead in design* •*Mass market* 	**Organiz___al** ___ity •___pty chain •*NPD cycle* •*"Brand"*
Life Cycle 3: 2005 - ???	•*"Becoming the ___ interface"*	**Migration** •*Best handset??* •*Subscriber base??*	**Organizational Capability** ___ •___kness" •*Earnings models*

Change Masters?

Entrepreneurs?

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"Renewal" For Any Well-Established Organization Is Always The Most Difficult Transformation

High

Low

Complexity of the challenge

Extent of shared purpose

Renewal:

A "wicked" problem situation

Little shared context

No shared view of "good" outcome

Re-invigorate:

A "routine" problem situation

Several problems to address

Which problems to prioritize?

Revive:

A "tame" problem situation

Shared context – a burning platform

Clear problem definition and priorities
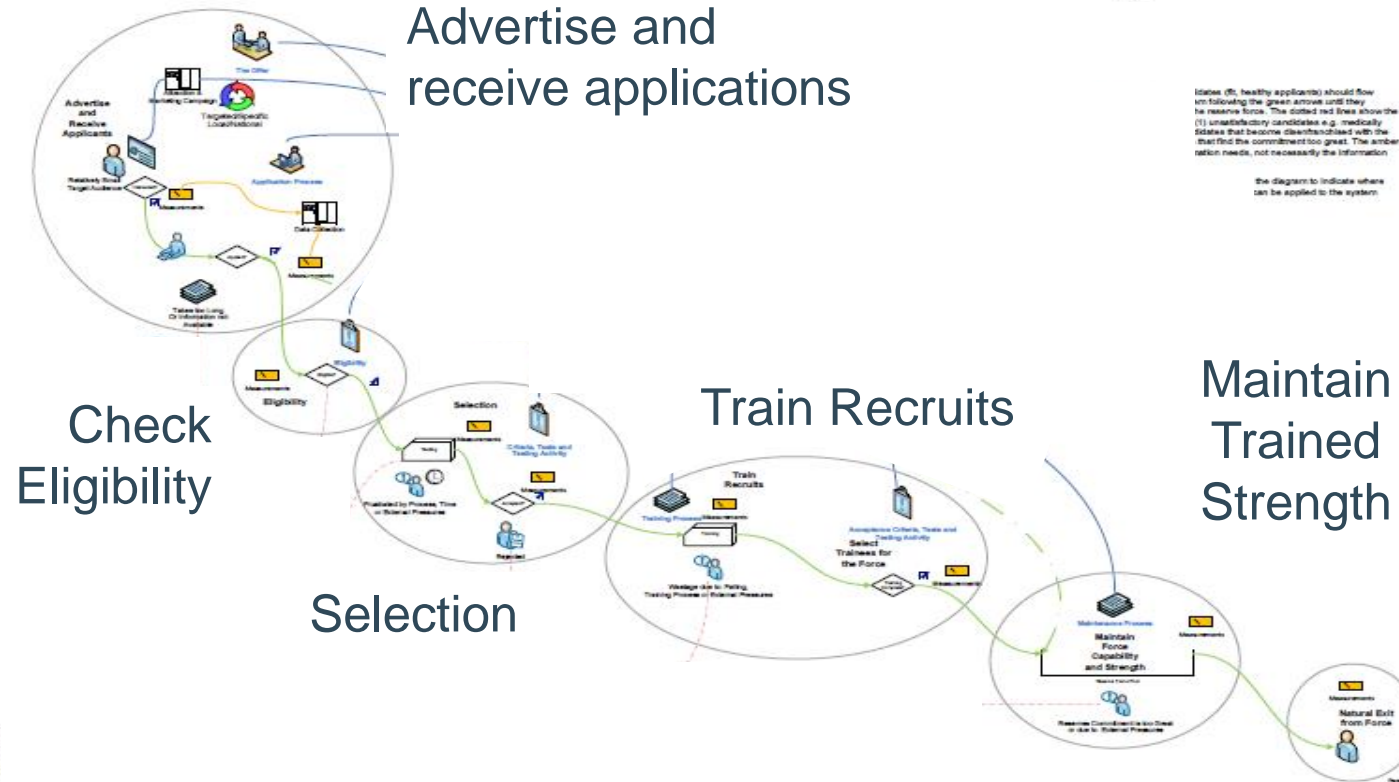
Low

High

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The Issue: UK Reserve Force – Trained Strength

Tri Service FR20 Volunteer Reserve Strength as at 1 April 2017

How do we get to the target?

Trained Strength target 35,060

FR 20 Total Strength   FR 20 Trained Strength

The Operations System

Advertise and receive applications

Check Eligibility

Selection

Train Recruits

Maintain Trained Strength

The Meta System

Management Information

Decision Making
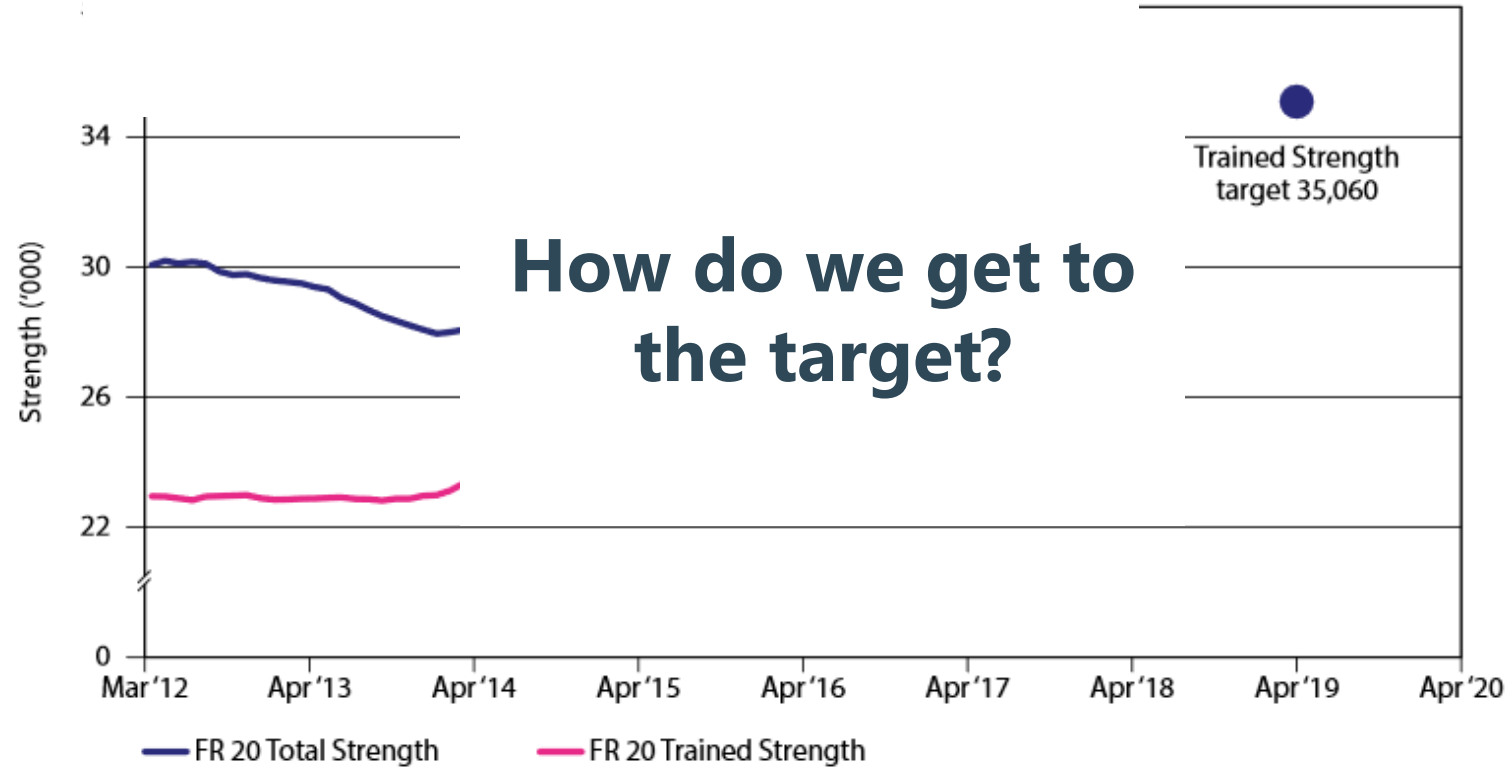
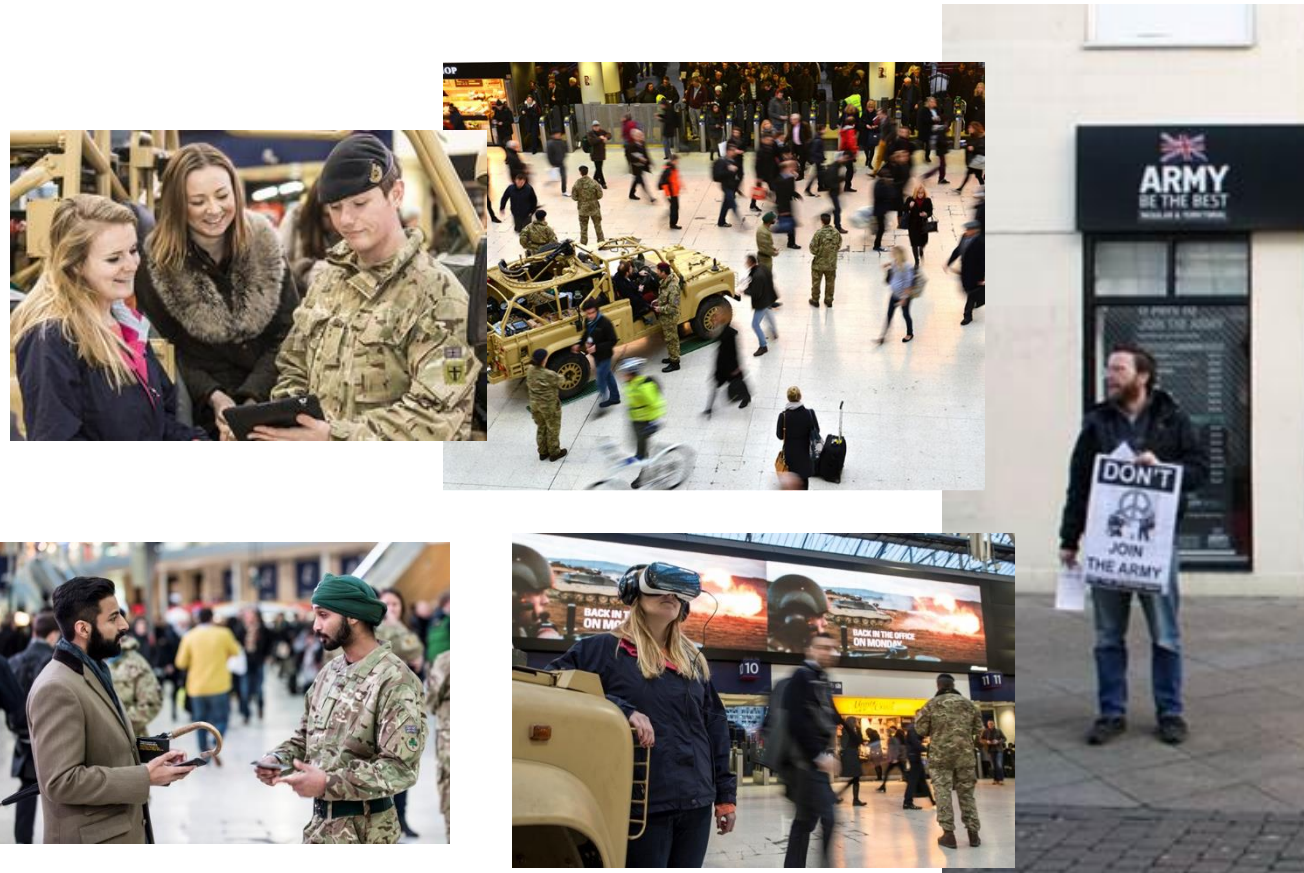Direction for the system
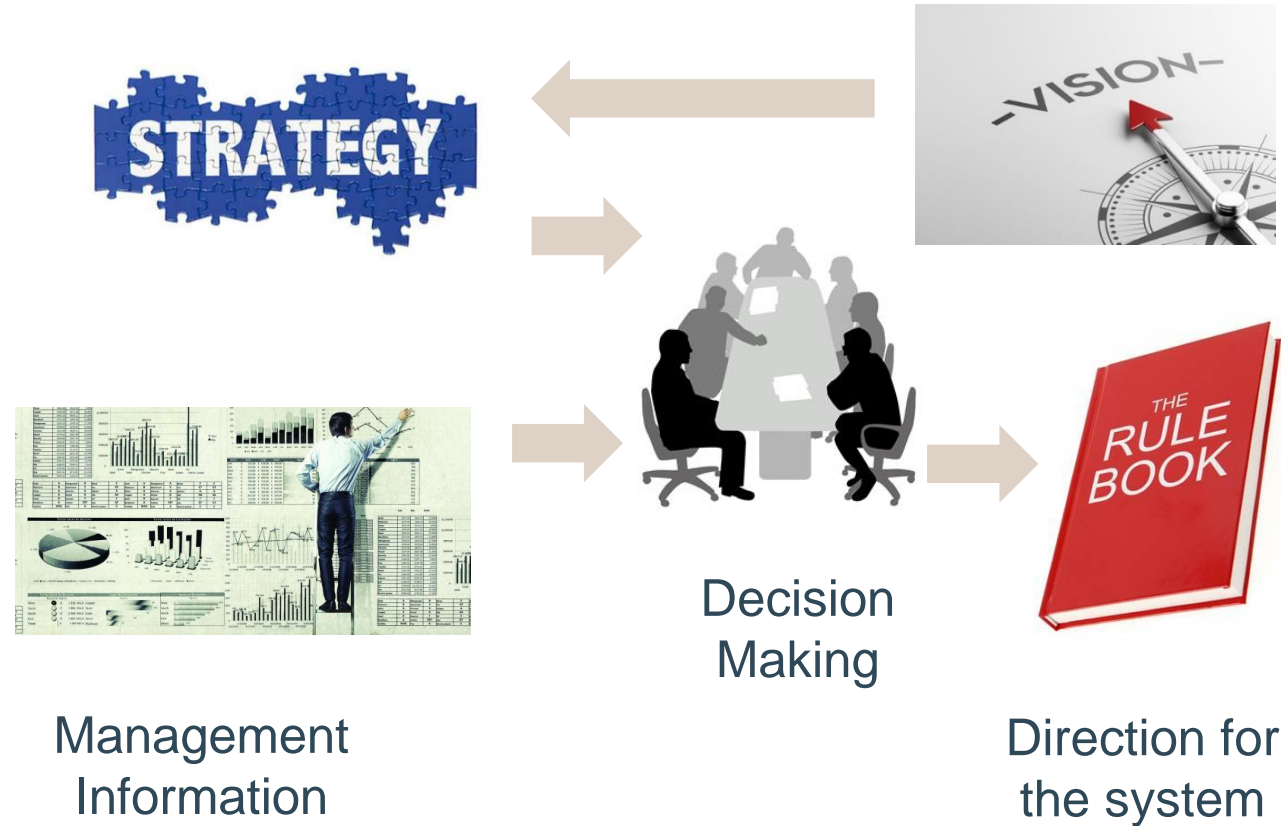
The Environment

Reserve Recruiting System Performance in 2014

Marketing Pyramid
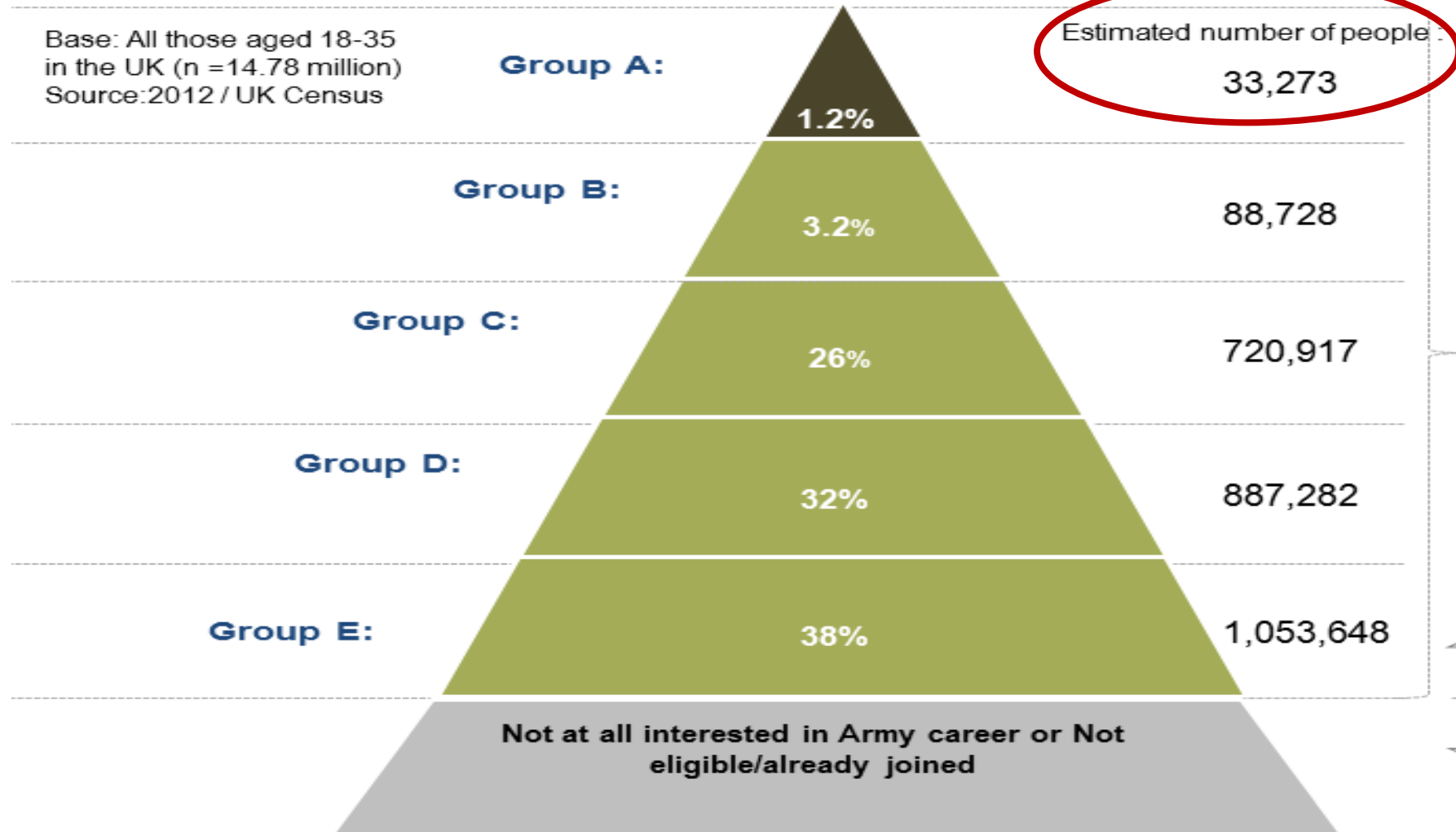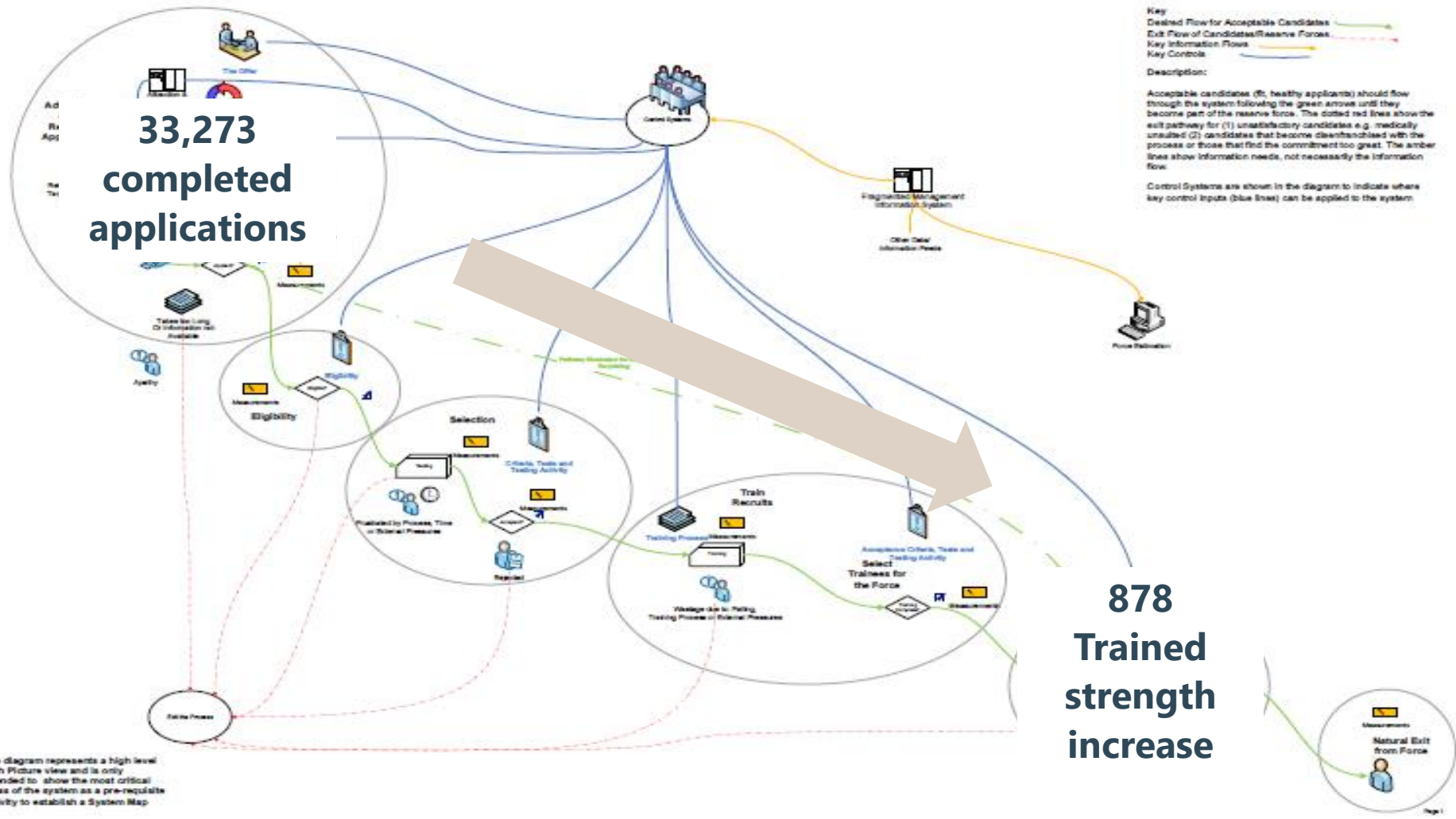
Base: All those aged 18-35 in the UK (n =14.78 million) Source:2012 / UK Census

Group A: 1.2% — Estimated number of people: 33,273

Group B: 3.2% — 88,728

Group C: 26% — 720,917

Group D: 32% — 887,282

Group E: 38% — 1,053,648

Not at all interested in Army career or Not eligible/already joined

Total Loss Rates

33,273 completed applications

878 Trained strength increase

The Outcome

Strengths for Tri Service Future Reserves 2020 as at 1 April 2019
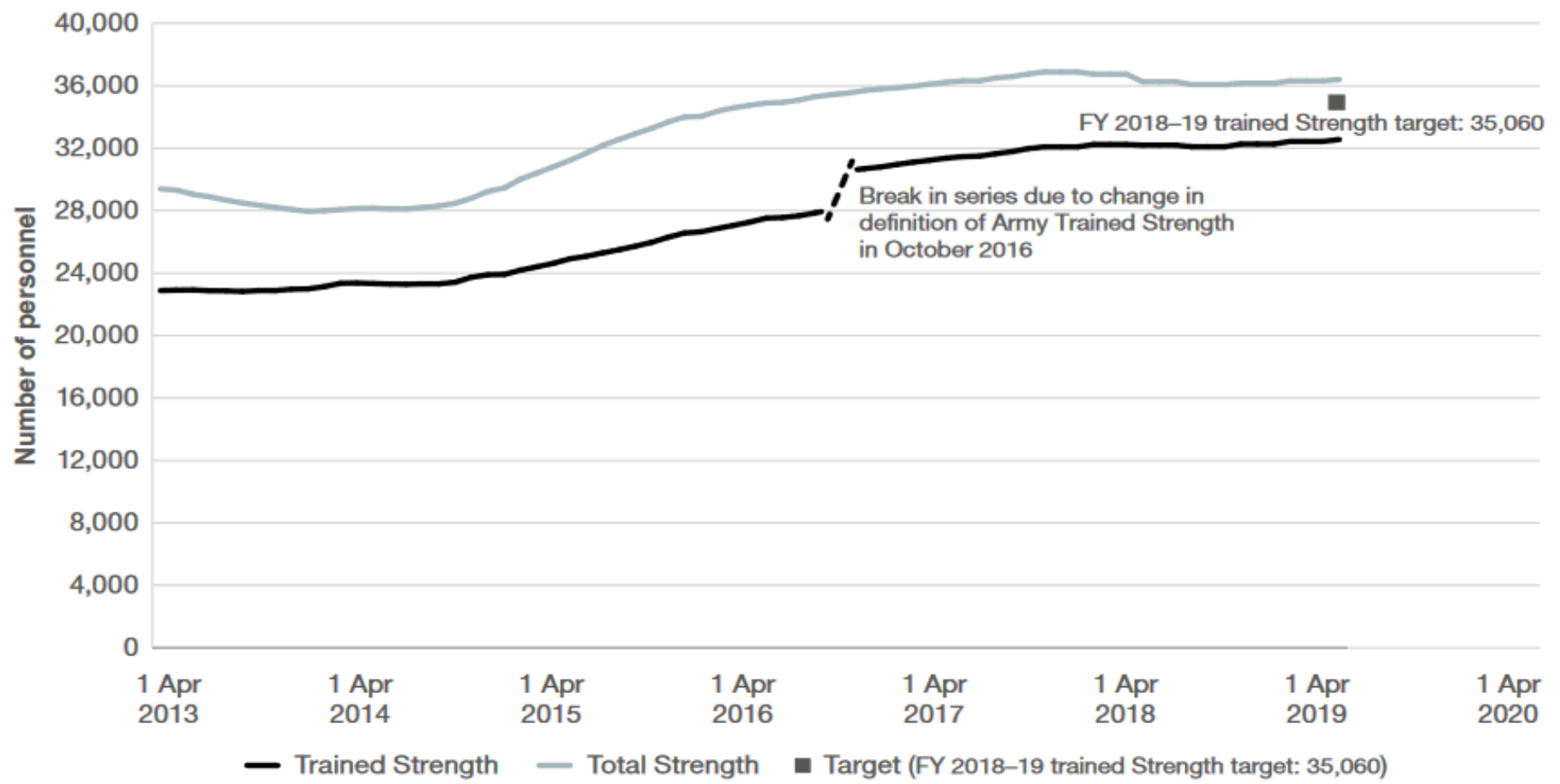
Some Important "Preconditions For Success" *(Based On Lessons From Strategy Consultancy Practice)*

- **CEO involved and sponsoring work rather than just reviewing**
- **Top management involved and committed to action**
  - Devotes the personal time required,
  - Allocates resources.
  - Makes decisions in real-time.
- **Team members must be people the organization can't do without.**
  - Must make sufficient time available.
  - Cross-divisional, cross-functional, and multi-level.
  - The organization needs to internalize the learning in order to implement.
- **Top management must have a "going forward" plan beyond the project.**

- **Agree reasonable expectations about outcomes especially during early stages of the work.**
- **Have a communication plan that provides suitable project visibility and access to key contacts, resources, etc.**
- **The consulting team needs organizational access to manage learning, assist in direction and to create the right context to receive and understand material developed and presented throughout the process.**
- **Ensure success criteria are established for each key stage.**
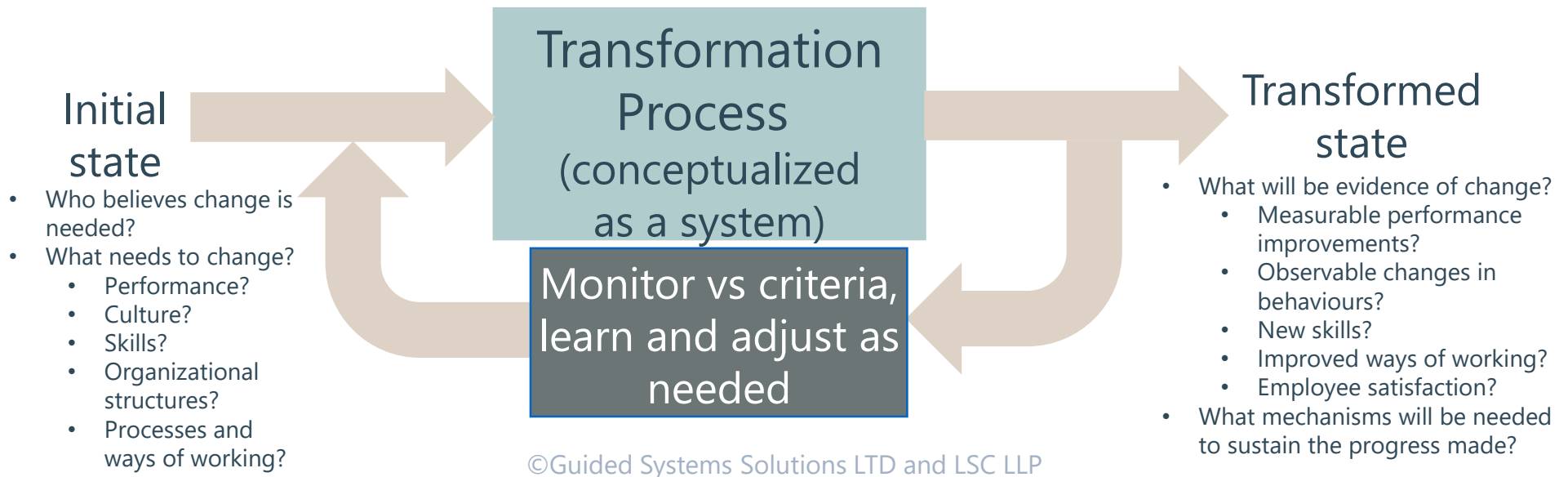- **Agree checkpoint strategy (e.g., explicit sign-off at key stages).**

Experience Has Also Shown The Need To Watch Out For Some Potential Pitfalls On The Journey

- **Insufficient leadership**
  - Time
  - Visible commitment
  - "Skin in the game"

- **Lack of Motivation**
  - What is the "cause"?
  - Personal risks/rewards
  - Lip service vs. trust

- **Lack of Responsibility**
  - Roles unclear
  - Assumed co-operation
  - Can't break deadlocks

- **Lack of Understanding**
  - No blueprint
  - No experience
  - Expect solutions but can't define the problem

- **Lack of Organizational Stamina**
  - Initiative overload
  - No shared sense of urgency
  - No appreciation of how long it will take

- **Lack of Consistency**
  - People changes
  - Operational business pressures
  - Getting blown off course

- **Lack of Capability**
  - Missing key skills and experience
  - Insufficient resources
  - Insufficient learning

Conclusion: Mapping "Transformation" Onto A Simple Model Of A System

Initial state → **Transformation Process (conceptualized as a system)** → Transformed state
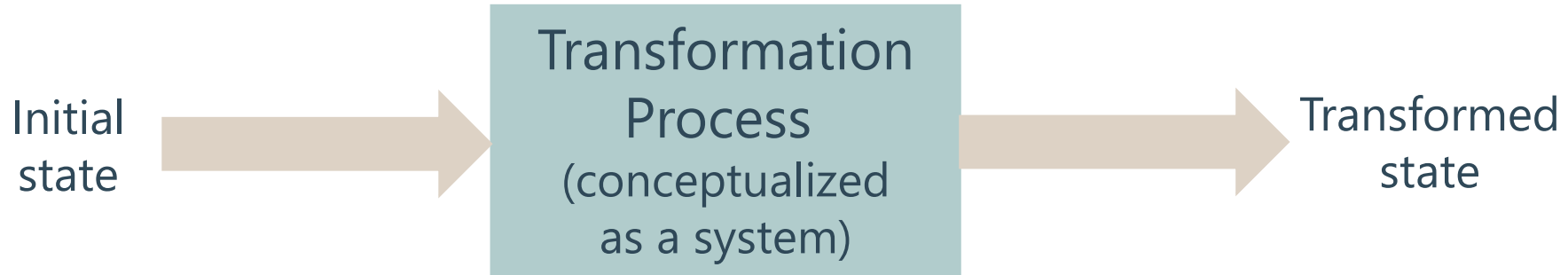
And, if we view transformation as an ongoing challenge, maybe it's worth learning and adapting:

Transformation Process (conceptualized as a system)

Monitor vs criteria, learn and adjust as needed

Initial state
- Who believes change is needed?
- What needs to change?
  - Performance?
  - Culture?
  - Skills?
  - Organizational structures?
  - Processes and ways of working?

Transformed state
- What will be evidence of change?
  - Measurable performance improvements?
  - Observable changes in behaviours?
  - New skills?
  - Improved ways of working?
  - Employee satisfaction?
- What mechanisms will be needed to sustain the progress made?

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Canvas and Slide Pack Link

https://icedrive.net/s/BV64V7hWCutVfk5S9khRkGPiR56a

14032023TransformationWebinar#1

Questions

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