The Challenge Network Offer

Summary

Organisations can access an enormous body of experience and knowledge if they design in the appropriate processes. Connecting these processes to each other delivers benefits which range from spontaneous innovation to becoming a purposeful, agile organisation. Most of the elements that make up these processes are generally present, but they are seldom chained together. Bringing them together and plugging gaps is not costly. Large scale attempts to generate “strategic renewal” carry the risk of a run away process. This does not happen with organic processes, which are always under senior management control. Iterating processes build on success, and create a climate of insight, confident response and creative conversation right across the organisation.

Introduction

We are used to handling our personal life chiefly on autopilot. We tend to assume that the same innate facility exists in organisations. Usually, it does not. Senior management likes to believe that its individual or collective insight is similarly intuitive and reflexive. They like to believe that even if the broader corporate autopilot does not exist, board-level insight will provide a firm guide. Frequently, however, this confidence is misplaced.
An organisation ought to add up to much more than the sum of its individual staff, working alone. Line activities have long used defined procedures, unit specialisation and information flows, all of them collectively generating something immensely powerful. We have, for the most part, failed to do the same when it comes to staff work. We act as individuals or as small, disconnected groups. Each may be more or less inspired, but the lack of collective organisation means that from the perspective of the organisation as a whole, the system is working well below its potential.

An organisation is not an organism; it does not come with an innate nervous system. These have to be created, and it is this design work and commissioning that we offer. Organisations may lack specific modules and tools, which we also provide.

The problem

What is the problem that we are trying to solve? First, the past two decades have left a legacy of quality controlled, tightly defined work flows and cost structures. Capable though these are, their staff find spontaneous change and innovation very difficult. They tend to be benchmarked on what used to work, rather than on what is going to work. Individuals are focused on specific targets. They have little or no notion of the bigger picture. They do not recognise a good thing when they see it, and the organisation as a whole is ill-prepared to recognise opportunities when it is presented with them.

Second, the organisation often fails to see itself in context, as a part of a wider framework that shapes both its general destiny and its options. It cannot identify the quality parameters that make one option preferable to another. It is unable to “explain itself”, save in generic or tactical terms, to capital markets, to its staff, to those engaged in innovation and renewal on its behalf. Lacking a clear notion of what problems most need solution, and which options are the most attractive, it is incapable of acting quickly and decisively. Rather, there exists a haze of concern, a sense of being in the hands of forces than cannot be controlled, of a general anxiety that quenches constructive debate.

Solution

The equivalent to a nervous system is not complex IT or hugely expensive studies. It lies in process, in making staff activities more systematic and interconnected. There may also be skills gaps and operational lacunae that need to be filled. To do this is neither costly nor labour intensive, but it invariably provides enormous benefits.

In the end, we needed just four more people and we cut out a whole lot of duplication. I guess the whole thing now, a few years on, has just changed how we think. I don’t mean big, up-front thoughts like changing the brand or something, but a gentle pressure everywhere to use your common sense more. We just kind bubble up new ideas now.

Some of these have been touched on. In addition, engagement in process creates a quite novel cadre of people who are, by virtue of this exposure, perfectly fitted for senior management. The habits of thought of senior management are forced down into the
organisation. People interacting with the operating environment – with suppliers, with regulators – will do so with superior insight. They will know a good thing when they see it. So will their peers, and new ideas will get a swift, rational evaluation.

Process design is organisation-specific. The correct process depends on the nature of the organisation: its time cycle, its intellectual base, its connectedness to the external environment, its stakeholders and its innate complexity. The tools are, however, universal, as are the deliverables.

The deliverables

There are four key deliverables, each of which contributes to the fulfilment of the others. Taken together, they create an aware, agile, innovative organisation that has – so far as is possible - taken charge of its destiny.
Insight and foresight

The organisation needs insight into workings of the operating environment; its economic dynamics, competitive structure, regulatory and other constraints, its technological possibilities and other important variables. These need to be seen with an eye as to how they are likely to change, and how that change can be met and, where possible, altered. Tools such as scenario planning undertake this with minimal cost and maximal impact, but they need to be enabled, resourced and organised so that they feed into other processes. Like any tool, it is useful only when it is harness. “Nice to know” will not do.

Values and baggage

Every organisation has all manner of baggage, values and stances which it does not always recognise. Nevertheless, these shape its perceptions and potential. These may include relations with the customer, attitudes to supply chain integration, approaches to the acquisition or development of new ideas, relations with staff and workers, attitudes to quality, risk, regulatory and legal compliance. There are always a host of these issues, reflecting sometimes arbitrary decisions in the past. Much of this is referred to as the ‘values’ or ‘culture’ of the organisation. Poor choices - both strategic and operational - are often underpinned by such self-imposed limitations, or by real cultural limits that have not yet been recognised.

The self-image of the organisation is often all that much of its employees have to go on when taking choices. Later, we shall see this image as something consciously to be shaped, as the organisational Narrative. Broad swathes of potential can be closed down by a poor Narrative before proposals reach decision-taking levels. Narratives strongly support and are supported by unexamined corporate baggage, and this field demands critical assessment as a distinct activity.

Resource portfolio

Every organisation assesses its assets and liabilities. Some confine themselves to the immediate present and to financial assets alone, whilst others look ahead to the longer run source and disposition of financial, human or intellectual assets. They assess the intangibles assets such as public trust, brand or cost-quality which they need to manage. Taken alone, such assessment tells the management something of what it could achieve, but not what it should achieve. Equally, such exercises extrapolate the present into the future and find it adequate or otherwise, but do so within constrained terms of reference.

Synthesis One: general options

If we bring these three elements together - insight, values and portfolio - we find that something remarkable occurs. Between them, these assessments define the practical
options for the organisation. This can be envisaged as a map of possibilities, drawn within the key variables that emerge from the analysis. Across this map, a wind of change and uncertainty blows, defining direction for the sector. The options open to the organisation are constrained, and the critical tools are made clear. The assessment of the corporate baggage may reduce these options saying, in effect, that “either we change who we are, or else we cannot do that”: where what is forbidden might be ‘into India’, ‘to direct mail order supply to clients’, or ‘to a service-based portfolio’.

None of that tells management what to do next. Indeed, a major feature of these processes is that they avoid the danger of major studies, grand projects that acquire a momentum of their own and which management have to actively constrain if they are not to run off on their own version of an autopilot. What they do instead is twofold.

**First**, they sensitise management to the key variables, and to the areas where much more knowledge is needed before advances can be made. This allows sub-studies to be triggered that have a clear remit – often a rare feature of staff work! – and clear deliverables. One appealing description of a strategy process is that it consists of finding out what you need to know in order to take better decisions.

**Second**, however, the bringing together of these three processes enables a deeply important fourth process. This is both the most resource-intense and the most rewarding of the four processes.

‘I had to give a speech, and looked up two old ones that I gave a couple of years ago. Embarrassing, witless - we understood nothing, and we thought we knew the World. The new process has made us grow - grow up - and made all of us think.’

### Synthesis Two: the organisational narrative

Societies, organisations and even families have what is called a **Narrative**. This is a set of deeply engrained verities which say “this is who we are, how we behave and what we are about”. Most groups cannot list these truths, yet individuals are usually closely controlled by them: “as a professional in my declining years, as a citizen of this country, as a grandmother and as a political liberal, I...” Societies and organisation with a weak narrative – or worse, warring narratives – are groups that usually under-perform badly, riven with stress and uncertainty, not at all clear about appropriate actions, concerned to avoid blame rather than win applause, ‘political’ and risk-avoiding.

It is possible to build a narrative. Most organisations do this as a part of their training: sales-people know exactly the range of behaviour expected of them when meeting a client, and what is inappropriate. However, very few organisations set out to build a comprehensive narrative; and where this occurs – as with Apple under Jobs, for example – this tends to come from the top. Such leaders had best be right, as the entire organisation is now dancing to their individual insight.
It is far safer to immerse the entire organisation in relevant conversation. Who is it that knows at first hand about new technology, customers, the business environment, regulation? Not, clearly, senior management, who are probably decades from such direct experience. Rather, the processes that harvest insight need to take the views of those inside and outside of the organisation who have the relevant exposure and skill.

Using the narrative: implications to business units

The new knowledge - insight, values, options - becomes part of the narrative for the operational units. The knowledge has to be worked into the context of each unit, becoming reflexive for them. Naturally, the language used will change, for how an idea is best put to research scientists will be less effective with sales-people. Once they fully understand their role, the units show greater confidence and independence. They innovate. They propose new projects that are rooted in the narrative. The portfolio of the organisation shifts cohesively, as bottom-up project proposals merge with top-down considerations.

Innovation arising from the narrative

Systematic innovation occurs when recognised problems or needs are met with novel solutions. That sounds obvious, yet many organisations try to innovate without knowing the problem that they are trying to solve.

Organisations which share a narrative ‘know’ what they are trying to achieve. Many studies have now accumulated that have tracked useful new ideas to their source and, typically, it is the case that 60-75% of them come from outside of the organisation. They come from suppliers, from customers, from the press and trade shows, even from the competition. It is usually relatively junior people who make such contacts, or who are close to their technical training. In the absence of a narrative, however, how are such people to know what is wanted, or indeed understand the dynamics that drive the company and the options that are open to it? If by chance, they do find a good idea, then how are their colleagues to recognise it as such?

Innovation is, of its nature, novel: if you could specify what you want, you would not need an innovator. The organisation must set the context - through these processes, and ultimately through the narrative - and to then ensure that chance does indeed meet a prepared mind. When a potential innovation is registered, the organisation is able to assess its potential in a series of quick-fire steps of progressive depth and specificity.

Process design

We have described a set of conceptual building blocks rather than a real-world process. As we have already noted, the operational architecture that is used will be different from
organisation to organisation. There are good reasons for this. For a start, these processes do not operate to a common time frame. Financial assessments need to be done far more frequently that does an assessment of, for example, the external operating environment, or corporate values.

Second, the process is highly non-linear, meaning that the outcome influences the input to the process. A stable outcome demands iteration. For example, working with the operational units will surface many issues that ought to be part of the analytical input. The resulting design is usually a more “braided” flow diagram than the usual procession of project plan box-cars.

A good way to think about this is to imagine three separate loops; separate because they work to different time frames and rules, loops because they iterate. The innermost loop runs quickly, and is concerned with formal assessment procedures: unit results, finance, staff reporting and so forth.

The second loop runs more slowly, and looks at the asset portfolio, future resource source and disposition and similar concerns. The outer loop also runs more slowly, visiting the broad contextual issues that face the organisation. Formally, this outer loop interacts with the middle (portfolio) loop to generate the overall options. Staff who are engaged in both of these activities work with operational units to generate the narrative.

Many of the systems that we have installed run the middle and outer loops on a two year cycle. That allows their staff to think about the portfolio for a year, and about the broader issues for the consecutive year. An important way station is for senior staff to define their concerns - what they need to know in order to take better decisions - and the resulting projects form a part of the work load. Senior staff legitimise the process to the organisation as a whole, and their reviews of critical phases in the process given them control over how it proceeds. The entire structure is characterised by inter-linkage: there are to be no deliverables that do not have a client, no big fat reports that languish unread because someone thought that “it would be a good idea”.

Implementation

The Challenge Network has a standard approach to these projects although, admittedly, it is frequently the case that they arise from situations where organisations have got into difficulties. The first stage is, naturally, to get senior management comfortable with the deliverables, the process implications and the realities of the implementation project. In
order to do this in a satisfactory way, some scoping work has to be done around current staff activities in financial and other planning, the management of intangibles and related important areas. This generally takes a few weeks, and culminates in a presentation to the board as to scope and time frame. The proposal will include a request for specific individuals to be seconded to the team, with a view that they will be in charge of the first sweep through the process.

The second stage ends with a presentation of the proposed process. This will have been negotiated with the primarily affected areas of staff work: for example, those responsible for financial planning and project amalgamation, human resource planning and the gamut of staff work, from external relations and brand management to business economics and risk assessment. It is frequently the case that one or more elements are entirely absent, and proposals to handle this are brought forward.

The third stage consists of getting started. It is unwise to begin on every front, and we generally advise clients to start with something which treads on the least number of sensitive toes, such as the nature of the changing operating environment. This work, when approved, is taken to selected operating units and its implications tested. The product of these are then tested on the medium-term portfolio: will the organisation generate the required resources? Is more of the same a useful response or does something new need to happen? We work closely with the client throughout the first iteration, bringing in, for example, skills around scenario planning, but also a depth of experience in defusing the political problems and resistance that may be encountered.

The full hand-over to the organisation follows the commissioning of the second iteration, which attempts to run the entire process in its mature form. This may be very different from the initial design, as experience dictates. A cadre of experienced people should now be in place, with proper succession planning established and accepted as a resource call on central funds. We offer episodic support, on call. Clients may also engage in the public domain scenario processes that we run.

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