



THOUGHT PIECE – Building the Experimenting Organisation

In today's rapidly changing market organisations face increasing pressure to change and evolve rapidly. Building an experimenting organisation based on innovation and small scale experimentation is an effective way of creating the valuable learning and ongoing organisational evolution needed to survive and thrive.

Even the smallest firm is a complex system of interacting elements. There are customers with differing needs, different perceptions and expectations, and to meet these needs we deploy people, systems, equipment, and components in the process of value creation. These *interact* in complex ways to produce not only products and services, but they also produce ideas and learning, almost as by-products, as well as frustrations, companionship, stress, enthusiasm etc.

Firms that have been established for many years also build up idiosyncratic routines and informal channels of communication, as well as external networks of contacts, reputations, obligations, and trust, which all mix together with the more 'managed' and formal elements. The degree of complexity that emerges from all these interactions is too great for any one person to comprehend.

Coping with Complexity

How do managers faced with complexity decide 1) what to change in this system? 2) what to change it to? and 3) how to change it? Executives with long experience of working within the firm often build up a simplified representation of the system, which they then use to help them decide what to change. This schema cannot encompass all the elements and all the interactions in the real firm, so it necessarily abstracts elements and interactions that are perceived by the manager to be critical.

But the schema is always an inadequate representation of the complex reality. The simplifications that we make might not be too problematic if the schema adequately reflects the key elements in the system and their connections. Most critically, however, we tend to hold quite simplistic views about the relationships between actions and outcomes. These simplistic views can result in changes being introduced which have quite serious unintended consequences.

'No Alarms and No Surprises'

Most people working in organisations are risk averse. They look for order, stability and predictability in their work. They expect to be rewarded for mastering skills, hope for promotions in the future, and value their relationships within a stable working group. They generally seek to avoid the anxiety caused by unpredictability.

These individual preferences for order are compounded by systems introduced to refine and hone existing working practices. Experience of repeatedly doing the same kind of work builds specific know-how, and stable processes lend themselves to systemisation, simplification and ultimately automation. We look to reduce variety to get economies of scale, and we look to repeat routines to exploit the benefits of the 'experience curve'. So the natural tendency in most firms is to reduce the rate of change, to engineer for stable processes, to eliminate diversity, and to strive for standardisation.

This produces an unresponsive system that tends to stasis or inertia. It is not capable of spontaneous self-organised change or adaptation, which would be an essential capability if the firm is facing an unfolding, unpredictable and emergent environment.

Making Change and Adaptation 'Routine'

So what can we do, faced with these natural tendencies to stability, simplification and inertia? Our suggestion is to make change a routine process within the system. This can be achieved if we view the firm as an unfolding and emergent complex system, rather than viewing it as an efficient 'machine'. The key is to encourage experiments and pilot tests throughout the system. We need to allow people the space to trial new ideas, to form hypotheses about possible new practices, products, processes and to test out these ideas.

The trick is to encourage a large number of low risk and low cost experiments. These small scale experiments will provide information about what might possibly work. They also demonstrate possibilities, and when others can see positive results this encourages further commitment. Experiments must be expected to 'fail', to deliver results other than was hoped for or expected. This should be accepted as not only inevitable, but to be welcomed as evidence that we are trying out novel ideas.

An unfolding portfolio of experiments, properly conducted with effort put into interpreting outcomes and results should then be the major engine of emergent and ongoing strategic and tactical changes. The 'strategy' is to encourage and learn from experiments, then to make continual adjustments to the complex system in the light of the information generated from these trials.

Conclusion

Embedding an experimental organisation will require changes to the culture, prevailing management style and the control and reward systems. But for this experimental culture to work does not require anyone to master or comprehend the whole system, which we know is impossible. What *is* required is the ability to generate valuable information from small scale trials, and the preparedness to allow people to try things, to fail and to learn. So 'doing' in the form of experiments replaces inadequate attempts to 'analyse' a naturally non-analysable complex system. The hopeful outcome is an organisation that can continually adapt and adjust and organically 'flow' in the direction of the environment. This contrasts with a mechanistic conception of the firm, where change is decided at the top and imposed on the rest of the organisation.

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If you would like to discuss how the ideas in this article might apply to your organization or subscribe for regular updates please contact emma.herbert@stratevolve.com

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