

September 2009 Newsletter

## Thriving in the Age of Complexity - With no answers, only choices

By L. Richard Marrs

*You are hearing more and more that the current recession has bottomed out, that the economic crisis is easing as job losses slow and we are beginning to see confidence return to the marketplace. This is good news indeed as we turn from survival and begin to look forward.*

*Nevertheless, the global business environment is becoming more and more interconnected and complex.*

*The future will see new uncertainties, ambiguities and even more surprises. Our world is acting as a complex system, and what we are now experiencing is just a taste of what will undoubtedly come.*

The immediate issue for all of us is that our old ways of looking at and seeing the world do not work anymore, blinding us to today's world as it really is. And when we can't see the world as it really is, we miss new opportunities, and we are blindsided by unforeseen threats while uncertainty and continual surprise paralyze us into inaction.

Right now, as most of you start your 2010 planning and budgeting cycle (which may be harder than ever) you have to ask yourselves two questions:

1. "In this complex world, how can an organization think about such variability and uncertainty, and set a course forward?"<sup>1</sup> And once we are able to do this,
2. "How do we transform our organization to be able to act *with intention*, taking advantages of new opportunities as they emerge and create a lasting competitive advantage?"

Altamont Consulting Group has been thinking long and hard about these questions. Our group's primary purpose is to help you make sense of this new world, synthesize new thinking, new learnings, and create new processes and structures so your organization will thrive.

Here are some of the concepts we have explored, what we have learned, and how we are working with our clients.

### Yesterday's Simple World

For most organizations, strategy in the past was based on a particular singular view of the world (the organization's "worldview"). Usually, this worldview was imposed on the organization by the CEO or leader. The key characteristic of the worldview was that it was presumed to be *static in nature*. Strategic planning and the resulting "grand strategy" were therefore focused on preparing the organization for a singular and static worldview, and actions were designed to move the organization towards that worldview.<sup>2</sup>

There was a basic strength for the organization from the narrow focus of a limited worldview. For companies, it was relatively easy to integrate business units and business functions into the singular vision. It assumed that only small incremental course corrections for success would be required. Changes, if they occurred at all, would be recognized quickly, be incremental in nature, and therefore easily managed.

By using this process (and far too many organizations still use it today), surprises, ambiguity and uncertainty were simply not allowed for, or, were thought to be so infrequent as to not be worth considering or preparing for.

Organizations presumed, since they were dealing with a limited worldview, that they knew the right questions to ask. They had covered what small changes they thought could occur and they thought they knew the answers to what *would* be

next. Organizations could therefore easily commit themselves to this singular view of the world, how it would evolve and to the “right” actions to take along the way; *a presumed simple world by design.*

Yet in today’s complex world and global business environments, the false strength of “grand strategy” has become the biggest weakness for those organizations (and yes, countries) that are still wedded to the concept of a predictable, incrementally evolving world.

### Tomorrow’s Complex World

As we understand more about how complex systems work, we realize that changes in today’s world are no longer driven by incremental events (if it truly ever was). It is no longer the simple world of yesterday, or even a “complicated” world. In the last two decades a critical mass of interconnectedness has changed our world into a complex system in the full meaning of the term.

And not only that, the world is acting as a *complex adaptive system*. The world’s system components and actors are learning and adapting faster and faster, enabled by ever increasing interconnectedness through ever evolving technology.

Over the past decade, we have learned more about how complex systems act from a number of scientific disciplines (e.g., quantum physics). We are now beginning to understand the implications of this learning and understanding when applied to the world, our global business environment and organizations:

- The more complex and interconnected a system becomes, the more unstable it becomes. Our global business environments are becoming more interconnected and more complex each day
- As the system moves out of balance, it can crash in an attempt to recover, rebalance or reset itself. What happened in the financial system last year is a reset; the rules have changed, giving us a preview of what can and will happen to other systems

- And with increasing interconnectedness, even a small and remote event can trigger a large crash
- As the system moves out of the crash, new possibilities and opportunities open, while others are closed off
- You must therefore be aware of the constant flux of your industry and global environment as it tries to keep itself in balance. You must see the world as it is, not as you wish it to be
- You must also be positioned and structured to take advantage of the new opportunities and threats. Those who see and boldly act will thrive, those who don’t see or refuse to act will fail

### Contexture\*

But it is not that simple. While the world is acting as a complex system, in your global business environment there are subsystems that can act differently. There are four defined dynamics a system can exhibit:

1. Simple: Where cause and effect relationships are known, repeat and are predictable
2. Complicated: Cause and effect are separated over time, but knowable and understood with analysis
3. Complex: Cause and effect are only coherent in retrospect, and do not repeat
4. Chaotic: No cause and effect relationships are perceivable and may not be relevant<sup>3</sup>

At any given time, any and all of these system dynamics can be in play in your environment. Systems can move from one dynamic to another over time, sometimes very quickly, others over long time frames. Each requires a different method of seeing and understanding, strategy, management and approach to action. Therefore,

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\* Contexture: con-tex-ture (kən-tēks'chər, kōn'tēks'-) noun: 1. The act of weaving or assembling parts into a whole. 2. An arrangement of interconnected parts; a structure. 3. A distinctive, complex underlying pattern or structure.

you and your organization must recognize what dynamic each of your business environment systems are in and which are moving from one dynamic to another.

More and more interconnectedness in the world means that more simple and complicated systems are moving into complexity, adding to the complexity of your environment. In simple and complicated systems, much of what we deal with is *probable*; you know enough and can discover enough to place good odds on what will happen and when.

But in complex systems, you have to deal more and more with what is *possible and plausible*.

In a complex world, you simply can't know enough in advance to put any level of probability (comfort) on what exactly will happen, and when it will happen. And you cannot wait for probability. By the time you have gathered enough data, analyzed it and generated a consensus probability level, someone else had already seen it, thought about it, planned for it and taken action.

The complex world moves fast, and our old processes cannot keep up.

Now that most organizations have done what was necessary to survive this crisis, turning to the future and how they will adapt and grow is the critical next step.

### Transform Your Organization

What then are the implications and challenges facing your organization? And, how *do* we create such an organization that can think about variability and uncertainty, set a course forward, able to adapt and change as necessary while acting with bold intention?

What you can do is develop good ideas of what is possible and plausible with patterns and models; what could and might happen. You can then create strategy and actions for each, and be ready to act.

Organizations that thrive in a complex world will move from a singular static worldview to one of multiple possibilities and futures, continuing

change, with more ambiguity, unpredictability and faster surprises. Strategic planning, strategy and actions will be based on a different set of assumptions, taking into account that:

1. We can't presume to know the answers to "what's next"
2. We may not even be asking the right questions
3. Any singular and static worldview is wrong from its very inception

Organizations will become more pre-active and reactive in nature from a process of inquiry and discovery. This requires a way of thinking, seeing and acting that is fundamentally different than in the past. Systems and processes now have to be not just robust, but also dynamic, acknowledging the growing complexity, faster change, unpredictability and the increasing number of new actors affecting the business environment - *acknowledging the world as it is, not as how we wish it to be*.

Organizations that focus this way will be the best prepared to see and take advantage of new opportunities and threats as they unfold.

Organizations will also be, by necessity, more resilient (adaptable and flexible), key for not just surviving but thriving. Adaptation and flexibility requires both nimbleness *and* willingness to change, and change quickly, when the environment tells you to change.

It requires sensitivity to and understanding of the driving forces of change and complexity that generate daily surprises and newness. And how do you do that?

### Learning to Act – Acting to Learn

The consensus answer is to *create a continuous learning process in the strategy and planning process that feeds the whole organization<sup>1</sup>, while building resilience into the organization, ready to see changes and surprises as early as possible, adapt when necessary and to act*.

This type of learning is completely different than the "learning organizations" of the past. That

model used *past tense knowledge* and historical data (seeing the world as it used to be) to inform strategy and actions for today and tomorrow. In a complex world, the past is no indicator of today or the future. Now we must see the world as it is, and how it could be.

This implies three different ways of seeing, understanding and acting:

Firstly, we adjust our systems to both create and learn from *present tense and future tense knowledge*. Present tense knowledge, created and applied in the now, is based on a process of inquiry and discovery (learning) - *seeing and understanding the world as it is*.

Secondly, we use future tense knowledge to anticipate knowledge - what might be known, understanding what we don't know and what needs to be discovered and known. We can further categorize future tense knowledge as to what is possible, plausible and probable - in other words, *seeing the world as it could be*.

Lastly, and perhaps most importantly, the organization has to understand the key difference between a complex system in nature and the world as a complex system: In natural systems there are no actors who can affect the system by design.<sup>2</sup>

*However, since the world is largely a system of our own design, we can act with intent from our learning within the system to adapt and change, and to influence the system itself.*

We do not have to sit idly by. We are all key actors in this complex system of the world.

### The Age of Continuous Opportunity

Organizations that do not understand this will continue to hunker down while waiting for things to get "back to normal", losing key personnel, missing new opportunities and threats - waking up to see the world has passed them by.

Organizations that understand this will be nimble and flexible. They will not sit idly by, but will move fast when new opportunities and threats emerge, quickly adapting and acting with

bold intention, positioning themselves for lasting competitive advantage.

Remember, there are no answers, only choices:

***Act now to begin this transformation.***

*We look forward to hearing from you about how your organization plans to meet this challenge and what you think about the concepts presented in this newsletter.*

*To learn more about how we are helping our clients address these issues, you can reach the author by email at: [richardmarrs@altamontcg.com](mailto:richardmarrs@altamontcg.com)*

#### References and Suggested Readings:

1. Gerald Harris: [\*The Art of Quantum Planning\*](#). Barrett-Koehler Publishers, Inc. (2009)
2. Joshua Ramo: [\*The Age of the Unthinkable\*](#). Little, Brown and Company (2009)
3. C. F. Kurtz & D. J. Snowden: [\*The New Dynamics of Strategy: Sense-making in a complex and complicated world\*](#). IBM Systems Journal (2003)
4. Steve Barth and Dave Snowden "Disruptive Innovation" in Subrah S. Iyar with Cindy Gordon: [\*Why Buy the Cow? How the On-Demand Revolution Powers the New Knowledge Economy\*](#). (2007)
5. Richard Marrs: [\*Early Warning Signals – A Conversation for Exploration\*](#). Altamont Consulting Group LLC (March 2009)

*Richard Marrs is the Founder and President of Altamont Consulting Group LLC, working with organizations, senior executives, and their teams creating and executing: Strategy, Corporate Development, Alliances and Innovation.*

*Made up of seasoned international professionals with depth of experience, learning, and applied expertise in their fields, Altamont uses proven collaborative processes to help its clients achieve breakthroughs producing extraordinary results.*

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