

# Looking for balance in uncertain times

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## 1. How organizations can make their way comfortably through a crisis

The increasingly dynamic developments in society ensure that organizations are confronted by crises with increasing frequency. The general image of a crisis is that panic breaks out across the organization, and that people tend to return to proven ways of working, and are averse to anything new. This natural response is an obvious one, but is generally speaking the opposite of what we should do. This article is about the question of what organizations actually can do. A development model is used which is referred to as the *'adaptive cycle of resilience'* (Abcouwer and Parson 2011). But to start with, let us first take a look at the concept of crisis.

### 1.1. Crisis

Before you decide the right response to a crisis, it is important to determine what exactly constitutes a crisis. There are numerous definitions to choose from. In normal usage, it is often used to mean a **'time of intense difficulty or danger'** (source <http://www.oxforddictionaries.com/definition/english/crisis>). Although we now lack a definition of what difficulty or danger means. An alternative definition is: **'a condition of instability or danger, as in social, economic, political, or international affairs, leading to a decisive change'** (source: <http://dictionary.reference.com/browse/crisis>).

This last definition seems more relevant to a business situation. At its core, the current mode of functioning of a system is under threat and the proven (and often traditional) ways of dealing with it will no longer be able to solve the problems. Reverting to outmoded approaches - in line with this definition - is exactly what you should *not* do.

Based on this insights, in this article we use the following definition of a crisis:

***An organizational crisis is a situation in which an organization resides, where the traditional ways of problem solving are no longer applicable and the organization is aware of that.***

## 2. The 'adaptive cycle of resilience'

In such a context, if attempts are made to identify what steps the organization might take, it is important to keep in mind that the organization came from a situation of stability. This situation can be described as a balance between what the business wants/needs and what it is capable of (Sanchez and Heene 2004). In a situation of stability, everyone knows how they need to respond to disruptions. The emergence of a crisis on account of a disruptive event confronts the organization with new challenges (Christensen 2013; Taleb 2010). The usual methods that organizations deploy when in

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a situation of stability are too rigid in a crisis to constitute an appropriate response to the developments. In a crisis situation of this ilk, an intensive search operation for new opportunities will have to be launched. Untrodden paths will have to be considered and explored. These search operations come in the form of pilots, scenario analyses, etc.

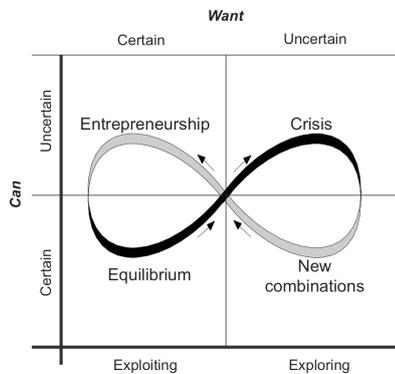


Figure 1 The adaptive cycle of resilience

them proving successful.

In this situation, the option chosen must actually be capable of implementation. Good initiatives will be accepted, but more often good alternatives will be acknowledged, but not implemented because other options appear more beneficial. In this selection process - what to do and what not to do - there are no hard and fast assessment criteria. It is all about the *gut feeling* of the manager. '*Keep your fingers crossed*' for success is the motto here.

The implementation of the newly selected option requires the rationalization of processes and the establishment of control and governance structures. Rationalization and upscaling are the actions that will need to be completed. A consequence of the rationalization is that the organization in a certain sense will increasingly seek rigidity to enable upscaling and effective and efficient working. However, one side effect of this is that fixed structures are implemented that hamper the appropriate response to any subsequent crisis. The process to escape the crisis is a cyclical process that leads to limitations on the response to the next crisis.

It becomes clear from the cyclical conduct in the *adaptive cycle* described above that an organization's search for new opportunities will be an ongoing one. Innovation is therefore essential for life. And both the information provisioning (IP) and the demands made of management play a crucial role in this. The following sections look at these developments in further detail.

### 2.1. The role of information in striking the right balance in the adaptive cycle

Good IP is essential for striking the right balance within the *adaptive cycle*. Making a distinction between left and right in the model is extremely important. The requirements set in both halves of the model lead to differing packages of requirements which IP must meet.

For a more structured account of this role, a distinction is made between formal and informal processes (Abcouwer et al. 2006 in Dutch). Formal processes are processes where the method is established in advance in the form of a description of procedure. The description of procedure (which may or may not be explicitly set out) is followed when implementing the formal procedure. Essentially, the point where a 'fault' occurs can be traced using the description of procedure if the process has not been correctly implemented. Production processes in a factory, but also the granting of a

If this results in a variety of alternative ways to act, one or a combination of these options must be selected for implementation. This is the most crucial stage in the development model, as those involved in the organization have led the search for new opportunities and challenges using their own abilities. They will be convinced that their solution is the best one. However, many options will not be capable of implementation due to lack of support within the organization, both for financial and operational reasons. And backing too many horses reduces the chances of one of

mortgage loan by a bank are subject to extensive procedures. What is deemed to be a formal process depends on the position of the person involved within the organization. For people working on a production line, almost all work can be considered to be a

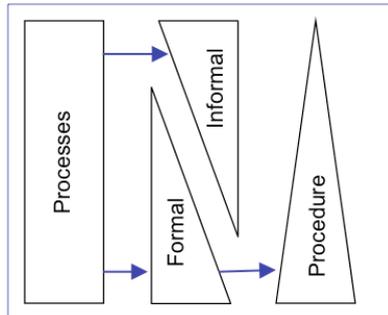


Figure 2 Formal and informal processes

formal process. Formal processes are therefore generally based on insight obtained in the past. In the literature, this is often referred to as the *Remember* capacity of the organization: the capability amassed in the past to deal with developments (Folke et al. 2002; Holling 2001; Walker and Salt 2006). Programmed decisions (on the left side of the *adaptive cycle* model) are usually regarded by management as formal processes. Yet there are other duties of management that cannot easily

be considered to be formal processes. These duties often come down to ‘*exception handling*’ and ‘*fine tuning*’ and cannot be catered for in advance. The knowledge and experience of management to deal with these situations is often based on experiences gained in the past - a second aspect of *Remember*. These more informal processes are processes for which the method is difficult or impossible to nail down in advance. The method is decided during the implementation of the process. Here elementary process building blocks that can be described may be used. Which elementary process steps have to be implemented can only be determined once you are already ‘*in flight*’. The quality of the implementation of the process is fully determined by the choices that are made during process implementation. Take the example of a stock market trader. The elementary actions of buying and selling equities are fully established, but the implementation of the process of ‘making a profit on the markets’ is hard if not impossible to set down in a procedure in advance. The diagram above is a schematic representation of the distinction between formal and informal processes. The distinction made here does not involve discrete steps, but is more continuous in nature.

In general, it is possible to decide on the information requirement for the formal processes in advance as well as when the information is needed. This approach to information and the accompanying information systems are a good fit for the left side of the *adaptive cycle*. The developed systems are often registration, reporting or control systems. In this context, McKinsey refers to *Factory IT* (Roberts et al. 2010).

For informal business processes, the information needs that will arise can only be partially determined, and this places particular demands on IP. IT information systems only have a limited capacity to meet the - in many cases still unknown - information needs. This view forms a match with the right side of the *adaptive cycle*. Here, IP is more like a toolbox that is available to the business professional to use. It allows him to make choices according to need on what information and technology tools can best be deployed in order to achieve higher effectiveness in efforts towards a competitive advantage from innovation and growth ambitions. In this context, McKinsey refers to *enabling IT* (Roberts et al. 2010).

When we link this view of the role of IP to the *adaptive cycle*, we see a clear difference in focus on the distinct roles of IP. On the left side of the model, the emphasis is strongly on the formal roles. Where informal aspects play a role, management will respond to developments based on experience. The emphasis will be strongly on *Remember* and *Factory IT*.

On the right side of the model, other forces will be at play. Here, formal processes are not available on account of the disruptive events that form the basis of the crisis. Here it is about the innovative and creative capacity which the organization has. In the literature, this is referred to as the *Revolt* capacity of the organization (Folke et al.

2002; Gunderson and Holling 2002; Walker and Salt 2006). To what extent is the organization capable of thinking outside existing boundaries? Experience plays an important role in this, of course. *Remember* is not irrelevant here, but innovation is of primary importance in this phase of the model. There is therefore a greater focus on the *enabling* role of IP.

Besides this distinction, IP must assist the organization with the cyclical organizational change process. This is because progressing through a cycle of the *adaptive cycle* demands that the organization constantly finds balance while under the influence of (sometimes disruptive) negative events. The changing requirements of IP therefore also demand constant changes to the high demands made of the flexibility of IP. This can only be achieved if the foundations of IP are based on architecture and infrastructure. Establishing basic facilities in well-thought-out architectures ensures that this flexibility is achieved.

In summary, we can distinguish between three focus areas which IP must fulfill in order to enable the organization to facilitate the cyclical developments on account of the *adaptive cycle*.

1. Facilitating business processes: In order to be able to function successfully on the left side of the *adaptive cycle*, the organization must meet the basic requirements that are made by the organization. This often involves formal processes; on the left side of the cycle, rationalization and optimization approaches play a central role. Support for the business processes is a crucial factor. This creates a close connection with the *Remember* capabilities that are currently relevant in the organization.
2. Supporting the search process: On the right side of the adaptive cycle, *Revolt* is expressed through an ongoing search for new opportunities. The processes for this have not yet been established and are therefore largely informal. As already mentioned, IP acts as a toolbox available for the business professional to use.
3. Offering a flexible architecture and infrastructure: The foundations of IP must be based on a well-thought-out architecture with considerable infrastructural facilities. This is in line with Truijens' definition of infrastructure: "The part of IP that offers generic facilities for a large part of the organization and that is maintained specifically for that purpose." This architecture and infrastructure therefore forms the basis for the IP application areas described at 1 and 2.

## 2.2. *Thinking in terms of left and right and the impact on management*

In the cyclical development described above and the distinct requirements that are made of IP, there is a crucial difference between the left and right sides of the model. To one extent or another, many organizations are in balance with their environment as they strive to achieve their organization's goals. However, the cycle is based on the conviction that a crisis is inevitable. Many organizations accept the inevitability of crises. Even the distinction between stability and crisis is usually accepted. How the organization transitions from the left (stability) to the right (crisis) and back is much more difficult to understand. It demands a different kind of management. The next section looks at the demands made on management in the various phases of the model.

### 3. Desired management conduct

When an organization is stable (left side of the model), the management often displays 'normal managerial conduct', where the focus is on improving operations and thoughts on development are based on evolution. There is a fear of revolution and there is a short-term orientation attributable to shareholder expectations.

Under the influence of internal or external factors, an organization will always find itself in a crisis situation at some time or another (Christensen 2013; Miller 1990). This crisis will often come unexpected, not forecast by management and the cause will only be identified later.

The aim of an organization is to exit the crisis situation as soon as possible. A different type of manager from the 'normal' manager is needed to achieve this. In the *adaptive cycle* model, the organization during the crisis is to be found on the right side of the model. His 'normal' competencies are not suited to the right side of the *adaptive cycle* model. What's more, crises will often be caused by this normal manager's conduct.

At the time the organization finds itself in crisis, there is a need for management that is able to act in an innovative and intuitive way. They should have an affinity with change, there should be a focus on innovation and the actual reconsideration of traditional certainties should be possible. In brief, there needs to be the curiosity to innovate.

It will be difficult for organizations to introduce this kind of management in a timely manner. Partly because crises are often not recognized at an early stage. But also because a 'normal' manager will not easily admit that the organization went into a crisis on his watch. His version will be that his actions have been good for a long time. He will be proud of the past (*Remember*), but will have little curiosity for the future (*Revolt*).

# The cycle starts again ...

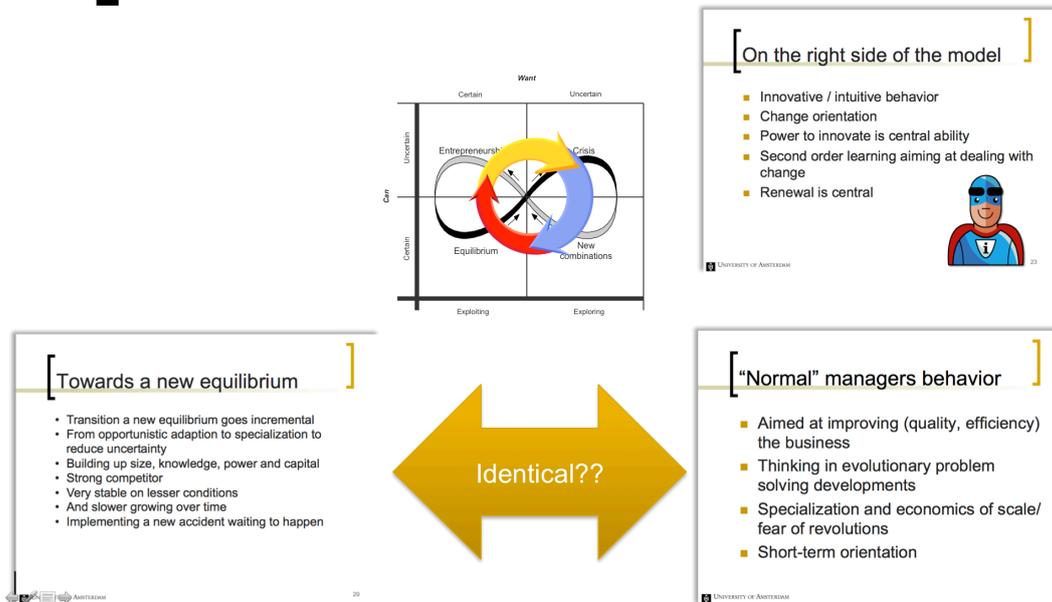


Figure 3 The cycle starts again

However, when an organization is capable of setting out the various scenarios that might again lead to stability, the management must be in a position to carry the organization through the process of focused renewal. This will require specific management capabilities. Rational actions, focused on stability and balance, following an optimization strategy and focusing on growth will be the characteristics that make it possible for the chosen initiatives to actually come to fruition.

These characteristics, necessary to find a new balance for the organization, are comparable with those of a 'normal' manager. This can be explained by the fact that normal managerial conduct is successful on the left side of the model, where new stability has been created and continues for as long as possible. The more successful management is in implementing the renewals, the more convinced people will be that this is the right solution for 'all' problems, resulting in rigidity.

The developments described here demonstrate that the *adaptive cycle* model really does involve a cycle. Resolving a crisis plants the seeds of the next crisis with all the attendant consequences. The developments are represented in figure 3.

### 3.1. The move from left to right and vice versa

Earlier in the article, we explained that management generally finds it difficult to deal with the move from left to right in the model, and vice versa. It is as if there is a *blind spot* for the transitions. A manager functioning normally in a situation of stability, as already mentioned, will generally not see the crisis coming. He will believe for a long time that the organization is capable of resolving the problems with ease using existing methods. For day-to-day problems, this will probably work out fine, but in the event of an - inevitable - crisis, the existing methods simply do not work.

Managers see reality from their own paradigm with a focus on either being 'proud of the past' or 'curious about the future'. It is of vital importance for an organization to strike the right balance between these two approaches, yet this rarely happens in one manager. Assuming that your methods - that have proven their worth in the past - no longer work is counter-intuitive. It needs a moment of awareness in which the manager "sees the light" and realizes that another approach has now become inevitable. This moment is often referred to as a '*gestalt switch*'. A moment at which nothing in the organization really changes, but when the management becomes aware that change has long been needed. It is a moment in which feelings of panic could all too easily emerge: the approach described above to a crisis situation in which the manager no longer knows how to deal with the current situation.

But even in the situation where a 'solution' has been selected to deal with the crisis, new management capabilities will be sorely needed. A manager focusing on renewal will generally not easily be able to stop himself from looking for better solutions. In time, the searching approach will become a problem for the organization. Searching costs time and money and could easily eat into the financial resources of the organization. A manager focusing on renewal will often need help to make the shift from 'searching' to 'implementing and upscaling' a success. A change in management or hiring external expertise is an inevitable part of this process.

It is with these two transitions (from stability to crisis and back to stability again) where management needs to call in some (outside) help, and this places tough demands on the consultant hired. The next section looks at the competencies that a consultant needs to have.

#### **4. So what will a good consultant do?**

To help an organization properly with the development model for the *adaptive cycle*, an organization's management must be open to the advice given. Even if this means that a different course will be charted than the course followed in the past. This means that a 'real' consultant is needed, with an entirely different profile than a contractor who temporarily fills an existing position or provides extra manpower to cope with peaks in demand.

The organizational consultant referred to in this article must have a number of specific qualities. In summary, the following consultancy skills are needed:

- Is aware of how the adaptive cycle model works and understands the dynamics of *left* and *right* in this model.
- Understands the role that IP plays within an organization.
- Understands what qualities are needed in the various stages of the *adaptive cycle* model.
- Understands the strategic objective of the organization and the possibility (or lack thereof) to achieve these (*Remember*), but can also think outside the box and is curious about the future (*Revolt*).
- Is sensitive towards the organization and takes account of the implications of the recommendations he makes.
- Where necessary, goes against the tide.
- Does not let the client do the talking, but has a *dare to challenge* mentality.
- Is able to give staff the strength to achieve the desired targets.

As argued in this article, managers will often not recognize which phase of the quadrant they are in. Furthermore, it is impossible to find all the qualities demanded of a manager on the left side and the right side of the model in one person. In order to obtain the qualities needed to exit a crisis, an external consultant who meets the aforementioned criteria will have immense added value for the organization.

## 5. Final remarks

In this article, we have looked at a specific approach to organizational change: the *adaptive cycle of resilience*. The model outlines a cyclical development that many organizations will recognize. We have looked at the demands made of IP and management. In both areas, it can be seen that the demands in the various phases of the model are very different. In our opinion, finding the balance between them is the real challenge for modern organizations. And finding the right balance is not something to be taken for granted. A one-sided emphasis on either side of the model constitutes a threat to the continued existence of the organization.

This tension is also present in relation to IP. Many organizations recognize that they need to replace their traditional CIO (Chief Information Officer) with a new CIO (Chief Innovation Officer). Given the dynamics of the current era, this emphasis is understandable, but also not without risk. Seeing innovation as the cure for all future ills summarily ignores the situation that an organization in the left side of the model needs to earn the money to make innovation possible in the longer term. It is therefore absolutely essential that apart from having a focus on innovation as a form of 'curiosity towards the future', it is also vital to take account of the business model of the organization in the form of 'proud of the past'.

If no balance can be found between these two counter-opposed approaches - both in IP and in the management focus - any organization would face a difficult future. Hiring an external consultant with the right skill set can help to fill any gaps in the competencies of the MT and find a way out of the crisis.

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