

**Title: „Practical principles of how to manage a company:
Corporate Self Navigation (CSN)“**

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„Practical principles of how to manage a company: Corporate Self Navigation (CSN)“¹

Summary:

This article outlines how the CSN-approach emerged from our experience working with international companies. We have the standpoint that the image of organizations you as a manager have provides your approach of steering your company. We describe the dynamics within an organization biotope-like and observed two **kinds of embodied “self-navigation”-patterns** in biotope-like-organizations: the green-loop and the red-loop. The green-loop is based on downloading of the patterns of the successful past. The red-loop is needed, when you as a manager want to change the established routines.

A practical example - the duplo publisher group - describes the utilization of the CSN-Model.

Leaders and Managers in all kind of organizations and institutions face new levels of complexity and change-dynamics.

1. Within today’s dynamic and uncertain business environments change is normality and daily business for almost every company.
2. Dynamic complexity – C. O. Scharmer identifies three types of complexity: dynamic, social and generative. *Dynamic* complexity relates to the lags that occur in time and space between the actions taken by organizations (causes) and their consequent social and/or environmental impacts (effects). *Social* complexity arises from the diversity, multiplicity, and interdependence of stakeholders from different social, economic, political, geographic or other systems. *Generative* complexity arises from encountering issues, realities, problems and opportunities that have never been faced by human beings before, and where past solutions and methods no longer work or cannot be applied.
3. One core competence needed in management: Managing the unexpected. Managing the Unexpected shows executives and upper level managers how to manage under trying conditions. Karl Weick and Kathleen Suthcliff reveal how to

¹ Basis: Exner, A.; Exner, H.; Hochreiter, G.: Selbststeuerung von Unternehmen. Ein Handbuch für Manager und Führungskräfte. Das Modell der Beratergruppe Neuwaldegg. 2009, Campus.

create a collective state of mindfulness that produces an enhanced ability to discover and correct errors before they escalate into a crisis. Mindfulness preserves the capability to see the significant meaning of weak signals and to give strong responses to weak signals. This counterintuitive act holds the key to managing the unexpected.

At any time, dynamic, social or generative sources of complexity may cause today's solutions to become ineffective or irrelevant. Therefore a new approach for managing and consulting a corporation is needed.

How has the CSN-approach emerged from our work with international clients?

By adopting the systemic approach to consulting, the „Neuwaldegg Consulting Group“ found a way to develop creative, constructive and effective solutions together with its clients from 1987 till now. We as a consulting firm have plenty of experience with co-creating change with our clients.

These changes of frame conditions in mind, we decide to go beyond: We decided to take a closer look at where the cooperation between client and consultant originates for us.

Our goal is to link three issues which are important to us:

- working in inspiring, longtime partnerships with our clients
- working side by side with our clients in creating a corporate development - letting them take ownership – and finding the leverage points for positively transforming and evolving their organizations
- amplify Neuwaldegg's pioneering role in the continued development of the systemic approach especially to management and also to consulting

And so a new paradigm is just getting shape: It is not only being a partner in change-projects - going beyond means being an inspiring partner in corporate development.

Corporate Development is the continuous development of your organization's purpose, culture, strategy and organizational structures and processes in relation to your relevant stakeholders.

This means for us:

- We have an image of organizations as complex, social, living systems. As such, they cannot be influenced or managed directly and as easily as machines. The increasing complexity of our world lets the managers also realize that their personal influence is limited due to the organization. What can a CEO, manager or leader really control or manage and what happens "by itself"? We have to create a management-centred theory and approach based on these basic assumptions.
- Working on Corporate Development implies to be a competent partner in finding effective ways of managing and steering the company within the dynamic and complex frame conditions
- We initiate the innovation center CSN. In this innovation centre we work together with four clients (Palfinger AG, Pfeiffer AG, MARK Metallwaren GmbH and Manz Publisher), scientists and colleagues from Neuwaldegg (A. Exner; H. Exner, M. Patak, J. Clen, Gerhard Hochreiter) on the topic of steering organizations.
- Keep the focus on two targets at the same time: content and business impact and bring in the social aspects and the dynamics of organizational life.
- Working on aspects of dealing with change and growth; or with hard cuts and new growth.
- Working not solely with the executive team - we provide the opportunity of broad involvement: creating dialogue, getting people more involved and commit more
- We work side by side with our clients letting them take ownership
- Working with a change of perspectives – compiling and linking the points of view of relevant internal and external environments e.g. market, corporation, customer-groups, employees etc.

How we work with managers using the CSN-approach is outlined on the next pages.

The key-hypothesis that shapes our approach and action:

1. Your image of organizations provides your approach of steering your company as a manager
2. *Use a new image of organizations: How to manage a biotope as a manager?*
3. Managing and deciding within corporate self navigation (CSN): a) observe and diagnose the steering-patterns of your company; b) Decision: go for the green-loop or need for the red-loop approach

Your image of your Organization provides your approach of steering your Company

Have you, as a manager, ever asked yourself what your image of steering is? Have you, as a leader, ever paid attention to your basic assumptions of steering a company?

Are you talking about a conductor and his orchestra, or a captain and his ship, or a machine and its screws? Every basic assumption leads to a specific managerial behavior. You, as a manager, become skilled in the art of “reading” the situations you are attempting to organize or manage. You, as a manager, form actions that seem fitting to the understandings you obtained.

Working in the consulting area for more than 25 years we have gained a lot of different experiences on how organizations can be seen and we finally came to the conclusion to view them as living systems – like a biotope – which navigate themselves. As a living system the organization does not exist to serve people (nor clients, employees or shareholders etc.) but has only one aim: to survive and to live².

² Like a biotope – the biotope does not exist to serve frogs and make them happy nor to ensure their survival.... even though frogs might think so.

Following this assumption the organization and the process of organizing have become a kind of biology in which the distinctions and relations among e.g. frogs, birds, complex organisms and ecology are paralleled in those between e.g. business units, groups, clients, employees, managers and their social ecology.

Use a new image of organizations: How to manage a biotope as a manager?

The ones who realize that it is impossible to control biotope-like-organizations have got the following options:

- To give up (companies might argue why to keep expensive managers if they cannot influence anything)
- To use this insight and work with it: the clearer and more consistent the image of the involved parties (such as managers, employees, consultants etc.) is, and the clearer the knowledge about how CSN works, the greater the chance to set (from the point of view of a manager) effective impulses in the right direction, at the right point in time, and with a minimum of effort.

Thus the following basic question arises: how can companies be steered within such a competitive and interconnected environment?

Managing within corporate self navigation (CSN): guidelines for managers

For us there is no center or hub which steers the company. We observed two **kinds of embodied “self-navigation”-patterns** in biotope-like-organizations, these are patterns that are simply “known” within the organization and carried out in everyday’s actions. From that perspective, steering is not a thing but something living, situated and embedded in work and decision practices.

1. The “green-loop” is the natural growth path of the organization – it is about what makes the organization “tick”. This **steering mechanism** ranges from developing a vision to the smallest operative decision. Organizations develop and form their

special “modus operandi” or patterns along their paths of life. On the basis of these historically developed structures and sub-cultures the organizational live unfolds. Thereby the structures or the dominant “modus operandi” set boundaries to the communication and decisions within the organization, e.g. boundaries for what could be considered as possible definitions of the business or for how an innovation is managed.

2. The “red-loop” works like a bodyguard **and intervenes** only in change-phases, if the natural growth path of the organization is questioned and the situation is seriously life-threatening. It changes the old “modus operandi” into a new one.

Example for the “green-loop”

We focus a large international, successful organization that belongs to a few owners. The owners are mainly provided with numbers but are quite hesitant when it should come to decisions.

An in-depth analysis of the “green-loop” showed that – In the vacuum between slowly made decisions by the owners and the time the management waited – innovation that had a substantial impact on the natural progression of the organization – often happened “subversively” in parts of the organization only. However the increasing dynamic of the markets called for a much faster reaction rate. The management realized this challenge but was also aware of the functionality of the more subversive innovation processes. As a result they came up with rules for the three most important innovations per year:

- *These projects have only restricted publicity*
- *They report directly to the CEO*
- *They get a lot of flexibility within their budget*
- *They don’t have to send a report to the board of directors*

The changed and now faster and more efficient innovation process – within a clear budget – receives high acceptance from the owners and allows significant changes compared to the natural progression (natural growth path) of the

organization. This helped the company to become number 1 in their industry just within a few years.

How to manage within CSN – a practical guideline

From a systemic perspective, organizations can be viewed as a “biotope” and thereby as a permanent, lively process of communication and decisions. What are the implications for managers and leaders? What consequences do they face? An understanding of the typical CSN helps to use or transform the “modus operandi” and thus the underlying composition of decision making and steering of the organization.

Generally spoken management means to close the gap between a current state and a preferred future. This means to create a vision or a business-goal for the *future* of your organization and to create the capacity to make that vision a reality. The management has to create a process which mobilizes action and produces results. However, in that pursuit of actualization, the biotope-like-organization also encounters opposing forces that serve a resistance to change or growth.

CSN-Management is about creating and cultivating a context in which favored things can happen. And thereby the following question arises: Will you, as a manager, achieve your preferred future by using the established steering patterns – the common meeting-structure, the typical way of addressing topics, the usual way of making decisions, the normal way of thinking? Or do you have to create new patterns by discreating the old one?

In practice we provide the management-teams two guiding principles: Moving from focus 1 to focus 2 and reverse

Using focus 1 – is about exploring the field

1. Observe the relations of your company and its impacts: the whole and their parts; the quality of the relationships to your customers, your employees, your bank-institute etc.
2. Describe the life-path of your company and learn about the peculiarities of your “green-loop”.

Using focus 1 to diagnose your steering patterns

A common question is: Why did the managers fail to see and recognize early warning signals? The answer of this question is deeply connected to the path of life, the given history and the developed green-loop-patterns (its habits and routines). The perception and action-taking is determined by the usual way of doing business – it's working mode is based on downloading patterns and prototypes of the past.

The key to effective management is how you will become aware of the habitual patterns of action and thought, the dominant mode of operating within the organization. Focus 1 means to observe and diagnose consciously and recognize the organizational-life and the green-loop-patterns with fresh eyes.

The Practice of observing and diagnosing:

1. Focus on the whole and its parts

If you invite managers to define their perception of the "whole" they are in charge of you will be surprised. Mostly you acquire as many descriptions as there are people in the room – here are some descriptions: only the company here in Europe, the company in Europe and the sales destinations abroad, the company and the main suppliers.

The key is to create dialogue to form a collective view on the "whole" and the quality of relations within its parts and between the whole and its parts.

2. Path of life

We make sense of our present experiences with the everyday-life of the organization by comparing them with previous experiences. The organizational past is an important indicator in predicting the reaction to the current organizational change. The past is something that comes walking in through the back door of your steering patterns.

Draw your path of life, jot down the main events and the upheaval-phases and

describe the “modus operandi” within the phases. What are the patterns that arise? What are the seeds of the habits and the “modi operandi” of your organization?

3. Green-loop – steering patterns

When we stop the habit of downloading we start to recognize the steering-patterns based on the achievements of the past. You, as a manager, observe the „modus operandi“ of your organization and you have to make a decision: Do you achieve your goals by using the green-loop?

4. Red-loop – upheaval-phase

The upheaval-phases of your organization describes radical shifts that change the way we manage. New patterns – habits, structures, meeting-structures, way of making decisions – emerge.

The challenge for many managers is figuring out what moves to make now: using the usual routine or create a upheaval-phase to change the established patterns and generate game-changing forces.

Shift to focus 2 – getting in action

1. Learn how to **prioritize your tasks in a new way** –what should be the focus, for how long and what would be a proper follow-up: a) Is the situation life-threatening for the whole or only for parts?; b) May you work it out within the “green-loop”? Do you need to change the “modus operandi” and intervene on the “red-loop”?
2. **Make an action-plan by using CSN:** What do we have to do “in green”? What do we have to do “in red”?

How to form a reliable management-methodology for dealing with emerging complexity. At its essence, the CSN-approach involves a collective shift of attention from downloading habits of the past to seeing it with fresh eyes and a generative flow and rule-breaking new structure.

Here are the steps to realize the upheaval and to form new patterns pointed out:

1st step: forming a upheaval-coalition

When operating from the place of the red-loop we need a strong force to shape the new, to create a change against the established patterns. The more people stop the habit of downloading the better we can move into a state of creating the new.

Assemble a group with enough power to lead the upheaval or change effort. To put it simply - the larger the initiative – the upheaval is, the larger your “upheaval coalition” may need to be. One other important element of “the coalition” is that it should also contain individuals from outside the normal hierarchy and sometimes even out of your organization – customers, suppliers should also be contained.

2nd step: create sense of urgency

One of the fundamental characteristics of an organization is a tendency towards procrastination and to fall back into the established, old green-loops. We often observe a lack of sense of urgency to be pandemic. Most people spend time complaining about this very thing while doing absolutely nothing against it. Brian Tracy often echoes the statements of John Kotter: "The longer between a decision and action, the less likely you are to act on the decision."

In a recent BusinessWeek article, John Chambers, Cisco CEO says, "Without exception, all of my biggest mistakes occurred because I moved too slowly."

3rd step: find the leverage point – culture/strategy/structures and processes

Find the essence of the situation and how to create the largest impact within the organization: Are the archimedean points the structural problems – e.g. Should we change from a XfU structure to a independent unit structure? Or is it more effective to change the relations between you and your costumer? To focus striking efforts, you have to find the “leverage point”. A **leverage point** is a place in a system where force can be applied. A **high leverage point** is a place in a biotop-like-organization where a small amount of change force could cause a large amount of response.

4th step: create a Change-Architecture

We think of organizations as complex, social, living systems. As such, they cannot directly and as easily be influenced as “trivial machines”. As a manager you have to create frame conditions that form change. You have to create rooms and use settings in which different things can happen, we plan social, temporal, spatial and content design elements and fixed points to set the stage. The architecture like a project-plan determines when, where and how people come together to share ideas, collaborate, experiment, learn, work, be creative, innovate, take decisions and communicate and evaluate the overall outcomes.

Based on our research and our consulting work with clients we have found different directions which we assume to be useful for managing with a CSN-approach:

- There is a need to re-define the self-conception of the managers: Less person oriented, more systemic thinking; Less “imagination” of controllability of organizations
- More emphasis should be put on observation and hypothesis formation (cp. Krishna Murti: the highest form of human intelligence is to observe without judgement.).
- It is useful to accent more on the history and the life-path of the company – getting skilled in the art of reading the specific “green-loop”.
- The manager has to adjust a lot more to the peculiarities of the particular organization rather than the other way around.
- Full engagement with respect and acceptance of the CSN is required.
- It is necessary to have more clarity of where I do work within the “green-loop” and go with the flow, and where I do apply the “red-loop” in a more focused approach!

Practical example working with CSN - the Duplo Group Publishers

Initial Situation

Duplo is a family-owned German publishing Group and as such a well known brand for business literature and educational books. When the CEO of the Group died in 2004, his 28 year old daughter Ulrike Mueller became the new CEO of the Group. Ulrike decided to use the CSN-Approach within her Management Team.

The Group was structured into three more or less self-governed subsidiaries, held by a financial Holding. So far decisions have been fairly based on the Group but rather on the level of subsidiaries, with little entrepreneurial orientation for the Group.

The main Challenge

One of Ulrike's main wish and challenges was to take entrepreneurial responsibility and leadership for the "whole AND its parts", the Group as such.

The diagnosis

The diagnosis is a critical success factor and first step on the way to a more efficient and sustainable management.

The Diagnosis emphasized the clarification and analysis of the following main areas:

1. Whole & Parts
2. Path of Life
3. The typical steering patterns of the "Green-loop"

1. Whole & Parts

Due to an extremely complex legal structure, designed to optimize tax-fees, the clarification of the question: "what is the whole, and what are its partly autonomous parts?" took 6 months of discussion between management and the owning family. In addition the main relevant stakeholders were identified in order to understand the interrelations and implications for the management.

Identification of the inner structures and management practices showed a high level hierarchy-thinking and control-loops as well as a strong orientation towards legal necessities rather than e.g. client orientation.

2. Path of Life

Duplo was “born” in 1910 as publisher of legal and business literature. The major changes (along the reed loop):

- 1960: inclusion of educational books
- 1965: death of the founder, successor: Ulrike’s grandfather
- 1970: Death of the grandfather, successors: Ulrike’s father and his brother
- 1990s: foundation of Bizz-IT & the era of Online-Business
- 2004: Ulrike takes over

3. The typical steering patterns of the “Green-loop”

The “usual” steering and communication patterns in 2004 could be described as such.

- Strong orientation to values and hierarchy
- Focus on past and current achievements rather than on vision and concrete strategies
- Organized around products and the value chain with a regional focus.
- Decisions only taken based on detailed analysis
- Entrepreneurial thinking was exclusively reserved for the owner, not for the employed managers.
- Little reference and importance for steering the “whole”, the parts had little interaction and were focused on optimizing their own business: little to no synergies.
- Decisions concerning the Group were “lonely decisions” of Mr. Mueller, without involvement of any management committees.

The CSN Process:

1. Ulrike put together a list of the main challenges and targets she defined for the Group, such as her own positioning, increasing the profitability, preparing expansion to CEE, Marketing relaunch etc.
2. Priorization according to the 3 guiding questions of CSN-method:
 - a. Is it about “The Whole”?
 - b. Is the viability threatened?
 - c. Are interventions along the “Red-loop” necessary?

Targets of the Process

1. The Analysis helped to identify the two critical & urgent challenges to be faced:
 - a. Increasing the profitability to ensure the viability
 - b. Positioning Ulrike as new owner and turning the employed managers into entrepreneurial Leaders
2. In a next step we analyzed the tension between the current situation and the vision/targets: profitability, establishing the entrepreneurial thinking and filling the new structures and management approaches with life. One of the key questions: is there enough tension between the current situation and the vision to generate the necessary energy for disruptive changes (“Red-loop”)? A first assessment showed that mainly interventions/changes along the Red-loop and some on Green-loop would support the ambitious long-term goals, that implicate such substantial changes as a new management culture.
3. Actions along the Green-loop:
 - a. Usage of current meeting structures
 - b. Using the organization’s strength in detailed analysis for decisions concerning CEE-expansion plans while at the same time stopping excessive analysis in order to avoid “analysis-paralysis”.
 - c. The pattern of “priority to operative business” was used as lever for immediate action and implementation power

4. Interventions along the Red-loop

- a. A strategy project was started: all units were requested to develop business plans, which was a totally new situation for the managers
- b. The actual formed management-team was involved in the development of strategy and business teams. That's quite new because in former times the CEO decides solely.
- c. The new responsibility for strategy, implementation and reaching of targets generated energy and commitment across the employed managers: for the first time all of them felt a joint responsibility for success.
- d. Activities along all levers of the Neuwaldegg triangle (strategy/structure, strategy, people/behavior, culture) were implemented, such as establishing a new IT-product, a new business area for trainings and a clear definition of roles & responsibilities.

First results:

- The results were amazing: Manager's took responsibilities and developed clear growth strategies.
- The Managers developed an entrepreneurial approach for their part as well as for the whole.
- The new strategy team was fully established
- Many changes in the operational management where implemented and working, as a new controlling system.
- Strategy decisions were taken, implemented and controlled financially as well as content-wise.

Current situation and next steps:

Many projects and changes are still under they way, the change process is still going on. It is planned to further-on use the CSN method for the Group's overall steering system.