



Co-Creation: Creating a New Center of Gravity to Meet Adaptive Challenges

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Introduction

Every company is faced with a demand for increased agility in the face of a dynamic competitive landscape. Everyone is pursuing capabilities of speed, innovation, resilience in the face of setbacks, and reduced cycle time. For many this institutionalization of many aspects of agility calls for a transformation or reinvention.

A common approach is to adopt change models which reflect a view of the organization as a machine. Such change models are linear, deterministic, engineered, and programmatic. The approaches are usually top-down, driven by an overriding view of the leader as head (or brain) of the organization. Achieving buy-in is seen as valuable, although often compliance is deemed sufficient. And the underlying assumption is that the cascaded intention of leadership will carry the day.

Our view is that this model is insufficient for dealing with adaptive challenges faced by an organization; that is, those challenges that demand a fundamental shift in how the business operates, the skills required for future success, and what constitutes a sustainable operating model for success.

Adaptive and Operational Challenges

Operational challenges are those that can be resolved by drawing on an organization's existing repertoire of skills, culture, and competencies. The challenge may be very hard to meet but the pathway from today to success is understood, even familiar. Furthermore, the intended solution can be directed from the top and cascaded throughout the organization without loss of the original intention or desired results.

In contrast, an adaptive challenge is one where the existing repertoire of skills, culture, and competencies is insufficient to resolve the issue at hand. Simply put, it is impossible to see how to get from today to success. Because of this, the successful resolution of an adaptive challenge demands a repertoire of skills, culture and competencies that do not currently exist or are not sufficiently present.

Simply put, operational challenges call for doing better what an organization already knows how to do. And adaptive challenges calls for making things happen in the organization that cannot given how the business currently operates.

Recognizing whether a challenge is operational or adaptive is sometimes clear to all. When a novel entrant like the personal computer transformed the computer industry, IBM was faced with an adaptive challenge; one that demanded a fundamental rethinking about its markets, its products, and itself. Sears return to respectability from its precarious position in the early 1990's was initially an operational challenge.

But the line blurs. Sears saw that in order to optimize its operations, a significant cultural change was required from an organization tightly controlled from the home office to one in which store managers were more empowered to make buying decisions. So, an operational challenge can mask an adaptive challenge and an adaptive challenge can distract from needed operational action.

Often deciding if a challenge is operational or adaptive rests on the leader's shoulders. His or her declaration of the challenge as operational will produce one set of actions. Declaring the challenge as adaptive will produce a markedly different set of actions.

Co-Creation as a Pathway for Meeting Adaptive Challenges

Here is the paradox. While it is necessary for the executive team to be aligned on key strategic objectives, critical success factors and the adaptive challenges their organization faces; alignment at that level alone is insufficient to meet an adaptive challenge. The team cannot drive from the top the level of understanding and ownership throughout the organization that is essential to meet an adaptive challenge. All employees need to understand and own what it takes to be successful: have the will to win and the understanding of what it will take to win. Adaptive challenges demand a new ways of thinking and of operating and so business as usual approaches are inevitably insufficient to meet them.

The next point of focus for alignment and ownership below the executive team, therefore, is with the "perma-frost" of middle management. It is this level that will or will not lead a mobilization process of all employees that aligns the entire organization to meet the challenge. When layering became the management edict of the eighties and into the nineties this level was defined as being either redundant or obstructive and was often neglected or circumvented in the process of employee engagement. And when they were used it was often for no more than be conveyors of the executive decisions; asked to buy into, implement and 'evangelize' what has been decided by those above. But even today this next level of management constitutes a critical center of gravity around which the current organizational mindset and way of operating are either reinforced or redefined. If this level does not shift to being a new center of gravity for

leadership of change then both aggressive business goals and the adaptive challenge itself will be fatally compromised.

The Executive Team's Role in Creating a New Center of Gravity

The executive team facing an adaptive challenge has to make a number of important decisions in leveraging this new center of gravity. to build a sufficient organizational response to an adaptive challenge.

The first fork in the road: How the executive team will lead

It is critical that the executive team both designs and leads the process for engaging and mobilizing the new center of gravity. To do this the team must confront a fundamental fork in the road and decide whether (1) they will tell the next level their decisions and impose them; a direction that at best elicits compliance; a condition insufficient to meeting an adaptive challenge. Or, (2) test their thinking by asking for input to existing thinking with a limited opportunity to shape the outcome; a condition that at best elicits compliance tinged with a little buy-in. Or, (3) recreate and engage with the next level in the same process they went through to arrive at their conclusions, essentially allowing the next level to opportunity to co-create thinking, conclusions and action; a condition that makes authentic ownership both possible and probable. It is only the third option, which yields the kind of new thinking and action to meet an adaptive challenge. Anything less than ownership will not yield the determination and participation necessary to move to a new way of operating and a new order of results.

The second fork in the road: Reconciling to the implications of co-creation before experiencing success

It is easy for executives to agree intellectually with the process of co-creation. But it is something entirely different to emotionally reconcile to the process, especially when the commitment precedes evidence of its benefits within the organization. As they move to design and lead co-creation processes, executives must confront their own deep-seated beliefs about their role. Co-creation interrupts some fundamental tenets of leadership: that leaders alone set direction; that leaders can direct their organization and control action in the same way that a machine can be directed and regulated; that leaders are more capable than others in the organization of making intelligent and responsible decisions; that conformance to executive decisions is more valuable than open debate where diversity of views can be fully expressed.

Emotional reconciliation sounds like this. One chief executive who had committed to an engagement process told us "I finally got it; 5000 people are smarter than 5!" This was not a speculative statement. It was a heart-felt expression of a fundamental premise of co-creation; that there is a deep vein of latent wisdom and latent commitment throughout the organization that can be powerfully accessed through co-creation processes. He saw that his organization could not overcome the adaptive challenge before it with his executive team believing that organizational wisdom was primarily their domain.

Another executive following the first large-scale co-creation meeting with the next level said, “I wasn’t sure we could trust these people to do anything more than complain. But the truth is they came up with better ideas and solutions than we in the executive team could ever have.” This degree of trust in those below the executive level is part of emotional reconciliation.

Executives also have to reconcile to the fact that there are no guarantees. Co-creation does not guarantee superior solutions, ownership and commitment. However, in our repeated experience it substantially increases their probability. Executives experienced in the process retrospectively characterize their commitment to co-creation as a leap of faith: “It made sense but I still had no direct experience to fall back on.”

And, lastly, executives have to reconcile to the fact that conflict, not conformity, is the source of organizational success. Many leaders suppress diversity of opinion, knowingly or not, by demanding conformance around their decisions and by labeling those at the “fringe” of organizational thinking as troublemakers. To lead a co-creation process is to turn these ideas on their head. Conformity is the enemy when trying to meet an executive challenge. The more the “fringe” and other diverse views are heard, the better the resulting decisions and actions. It may be awkward, it may be uncomfortable, but it is essential.

The third fork on the road: Deciding who constitutes the new center of gravity

Among the early decisions is to decide who constitutes this new center of gravity. Choosing based solely on an organization chart (e.g., to include direct reports to the executive team) is usually an inadequate response. Just as meeting an adaptive challenge requires a new mindset so does who constitutes this potential new center of gravity. This decision process provides a valuable opportunity to define who are the drivers of change and to build a wider array of points of view that will create constructive contention, energize and elevate the conversation for change.

The leadership might choose to include key union representatives who have a strong voice with their members, strong informal influencers who can subvert or promote change, a sampling of those at the fringe - the contrarians - who will challenge the status quo and not settle for business as usual, and energetic emergent leaders hungry for change and progress. The leadership might deselect certain “obvious” choices based on rank because of their lack of contribution and commitment to change as a part of the organization’s success. Thus the selection process itself is a test for the executive team and a signal to the organization of the seriousness of its intentions.

Co-creation’s Value Added to Business Results

With all the disruption to the status quo that co-creation promises, why bother? What value does the process of co-creation add to a rollout of executive decisions regarding annual performance commitments and strategy? More importantly, what is the value added impact on business results?

A senior executive, when asked the question, responded simply with three elements that had a direct impact in his mind on business results: shared understanding, personal ownership and line of sight.

Shared understanding

Shared understanding of the strategic context - strategy, critical success factors, customers, competitors, and the general business environment - and resulting decisions creates an employee base who understand both the context for organizational directions and the rationale for decisions. Armed with this understanding those employees have increased facility in communicating organizational directions and decisions and the rationale for both. This understanding also leads to a deepened appreciation for key interdependencies and mutual commitments. It often provides the logic for cross-functional action that previously looked like a fight for control. And finally, employees understand the boundaries within which they can exercise discretionary action, enabling responsible decision-making and risk-taking.

Importantly, this understanding is shared widely as groups engage in the process. This dramatically lessens the number of independent interpretations of decisions. And the large group serves to clarify what is being heard through their questions and insights.

Personal ownership

Personal ownership of decisions is a natural outcome of shared understanding. Simply put, decisions make sense. When this happens commitment and accountability for commitments increase, discretionary effort is unleashed, and employees personally 'evangelize' decisions, not because they are asked to do so, but rather because they are driven to do so through their increased understanding.

Line of Sight

Another natural outcome from shared understanding is line of sight; a deepened understanding the relationship between an employee's job and critical success factors for the organization, and understanding for each employee of how What they do in their day-to-day work directly contributes to, or detracts from, the success of the business.

Taken in this light, the question becomes "What is the value added impact on the business of shared understanding, personal ownership and line of sight?" The case for co-creation depends on the answer. Here are the fundamental premises on which we base our response. These come from a view of organizations as living systems. : First, equilibrium is a precursor to death. When a living system is in a state of equilibrium, meaning when an organization is dominated by a particular view of the world and values highly conformity to that view, it is less responsive to changes occurring around it. This places it at maximum risk. Second, in the face of threat, or when galvanized by a compelling opportunity, living things move toward the edge of chaos. This condition evokes higher levels of mutation and experimentation and fresh new solutions are more likely to be found. For organizations these means accessing the diversity of views, latent wisdom, latent commitment, and novel thinking within it. Third, once this excitation takes place, the components of living systems self-organize; new forms and repertoires emerge from the turmoil. For an organization this looks like a radically lower level of command and control leadership, replaced by a leadership that fully embraces that "5000 are smarter than 5." Fourth, living systems cannot be directed along a linear path. Unforeseen consequences are inevitable. The challenge is to disturb them in a manner that approximates the desired outcome. So leadership can and should provide the context for action and articulate the challenges to be met without proscribing an array of specific actions to the rest of the organization.

Viewing an organization through this lens, it is clear that shared understanding is vital to being able to perturb an organization in a focussed way without directing

it. Further, line of sight is a critical outcome if latent commitment and wisdom are to be accessed in a focussed way. And personal ownership is an essential feature if organizations are to challenge their own drift to equilibrium and if self-organization is to take place. All of these together create health in living systems, which equates to sustainable business results in organizations.

Co-Creation as a Vehicle for Accelerating Cultural Change

Co-creation is also a vehicle for accelerating mindset or cultural shifts. It requires behaviors that for the most part, are missing in many organizations: straight talk, accountability, transcending territory. Conventional wisdom suggests that cultural change is the antecedent condition. We disagree. Cultural changes are the result of co-creation processes and conversations.

Large-scale venues provide the opportunity for accelerated cultural change. In these venues, new defining behaviors emerge, are reinforced and anchored as a new way of operating. As in living systems, possibilities for a new way of behaving (perturbations) emerge, are recognized and are rapidly adopted. When a subordinate publicly confronts a senior manager, without consequence, the possibility of a new norm regarding straight talk is immediately introduced.

The interruption of a current culture is best accomplished in public rather than private forums. Any interruption seen publicly (for example, a leader taking coaching, territorial rivals speaking with a single voice, leaders listening to criticism without feeling the need to fight back or suppress it) has a strong effect. It is immediately apparent to the new critical mass of leaders. It is far more believable seen first hand than reported as a second hand account from one colleague to another. The public nature of these interruptions legitimizes and accelerating the cultural shifts being sought.

And an interruption of culture is best made in the context of the business challenges facing the organization. Other it may drift into that old and false culture or performance dichotomy, with any focus on culture change playing a subordinate role to the production of results.

The Implications of Co-Creation

Every corporation has its key events such as annual meetings. While a co-creation process might be applicable to some part of these meetings, it is a mistake to assume co-creation is event based. Dabbling with event based engagement processes has, at best, temporary benefits, which are hardly worth the time, energy, and disruptions required.

Once executives endorse and launch an authentic co-creation process, significant second and third order consequences can be anticipated. It is important that these be understood. There is a certain 'point of no return' which executives must accept.

First and foremost the very nature of hierarchy and power is altered. Co-creation processes have great leveling effects on the organization. Power, traditionally

associated with position, yields to power derived from other sources: expertise, knowledge, referential (the extent to which someone is perceived as being role model for what is needed). In the context of co-creation executives exercise their authority by carefully placing boundaries on the co-creation process. I.e. what will and will not be co-created; the non-negotiables. After placing boundaries, the playing field is leveled and everyone has the same opportunity to influence decisions. As Jack Welch said about processes in this context, "elevation has no privileges."

There are other likely consequences. Executive decisions such as capital allocations, acquisitions, and promotions will be openly debated and challenged. Disagreements and conflicts, previously suppressed, will be openly surfaced, giving the appearance of more versus less conflict. The undiscussables of the organization, the "hallway" conversations, will be surfaced. People will stick their noses into each other's businesses, breaching functional sanctuaries. Expectations will rise; co-creation and engagement will breed the expectation of future co-creation and engagement. Authority itself will not be challenged, but the opinions and positions of those in authority will be. Executives must allow for the likelihood that superior solutions and more ambitious commitments will emerge from a larger group than from themselves alone. Executive behaviors that are inconsistent with values espoused in the co-creation process will be more problematic, and more likely to be confronted.

Implications for the CEO and the Executive Team

Need to be consistent because inconsistencies are interpreted by the organization as a lack of commitment to avoid their own need to step up and/or inconsistencies might signal a breakdown in executive alignment that the staff rightly sense.

The executives need to hang tough through possible negative feedback as others are being pushed out of their comfort zone ("It will never work," "We don't need to throw everything up in the air," "It's only a passing thing anyway and they are going to be moving in 12 months," "They're crazy."). And they need to be persistent in enrolling and empowering a critical mass of employees in the challenge and the changes they imply.

One or two executives may not be able to get 100% behind the challenge and its implications in which case the CEO needs to be willing to act decisively. Tolerating lack of alignment at the executive level will be considered a meaningful signal by the rest of the organization that the CEO is not serious about the degree of change. Conversely, dealing decisively with those not committed – at any level but especially the executive level – is a strong sign of executive commitment.

The executive team needs to be crystal clear about what are the non-negotiables of the business (the “tells”), what are the plans in formulation to be tested with a larger audience in the organization (the “tests” and what is authentically to be co-created.

Conclusion

Co-creation is an important approach if an organization is to meeting an adaptive challenge. It brings with it implications for a new way of leading and for the greater distribution of influence and decision-making throughout the organization. It is not an endeavor to be taken lightly. To bring this approach alive is to be willing to challenge the fundamental assumptions of what it means to lead and what it means to follow. It is only the possibility of a higher order of business results and a significantly healthier and agile organization that makes wholeheartedly undertaking the process worthwhile.