Stages of Organisational Consciousness: Part I

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In our 2011 book *In Great Company – Unlocking the Secrets of Cultural Transformation*, Professor Dexter Dunphy, along with one of own consultant authors, Corinne Canter, proposed a developmental model of organisational change. This was based on and adapted from Professor Dunphy's earlier work: *Organisational Change and Corporate Sustainability*, Dunphy, D., Griffiths, A. and Benn, S., Routledge, London and New York, revised edition 2007.

In this model Dr Dunphy proposed a number of developmental phases in cultural transformation, based on the relationship between leadership commitment, culture and performance. As we continued to work with this model and reviewed the data of organisational cultures of over 2,000 Australian and New Zealand based organisations, we gradually began to reframe the model to one that was based on levels of organisational (and later individual leaders') consciousness.

Inspired by Corinne's innovative thinking about organisational change and her work in the field of neuroscience, we began to build the model we have today.

Why A Model?

Most will be familiar with the research of Dr John Kotter asserting that over 70% of organisational change programs fail. All of us are consumed with efforts to find out why and help improve this percentage. Our own mission *of Changing the World—One Organisation at a Time*® sets us the challenge of achieving a more effective 'hit rate' than this.

What we have seen is that when an organisation, struggling with the complexities of change, asks for an organisation which has successfully achieved transformation (eg Lion) to come and talk with them, they pick up a number of ideas and strategies for improvement, but then sometime later, find that these 'changes' did not in fact result in any transformation. Our conclusion – what worked for one doesn't necessarily work for the other. But more importantly, what worked for one worked because that organisation was at a different level of thinking or consciousness than the other.

Put very simply, instead of asking an organisation such as Lion what they are doing now, the more appropriate question might well be *"what were they doing several years ago when their level of consciousness was at the same level as that of the enquiring organisation?"* Where the successfully transformed organisation had achieved a higher plane of individual and collective consciousness, the 'learner' had yet to get there.

So we need to develop strategies that will work for different levels of consciousness. Such a notion is in line with Elliott Jaques 'Requisite Organisation' model and various other 'growth' type models from developmental and organisational psychology.
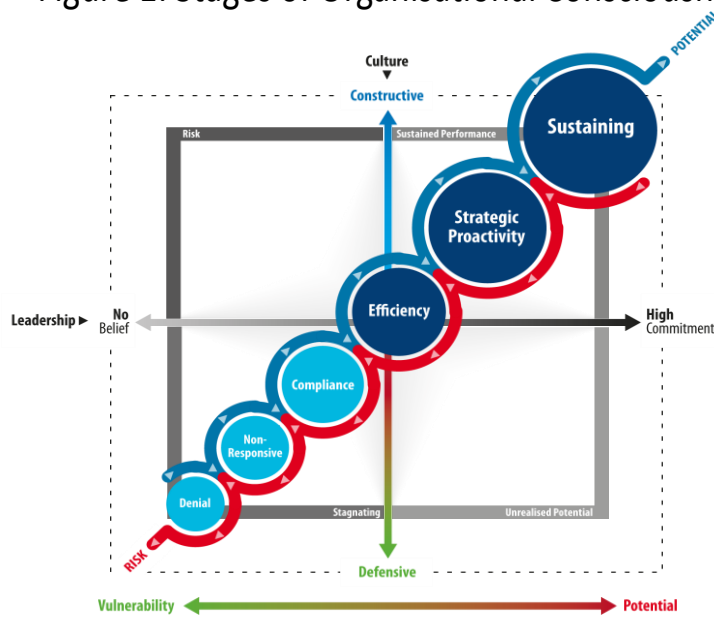
The Foundations of the Model

The model (Figure 1.) has as its vertical axis, Organisational Culture – from Defensive (low) to Constructive (high). The horizontal axis measures Commitment to Leadership – low (left) to high (right). This creates four quadrants. The lower left (defensive culture/low commitment to leadership) becomes the 'Stagnating' area. The lower right (defensive culture/high commitment to leadership) is the 'Unrealised Potential' zone. The upper left (constructive culture/low commitment to leadership) is the 'At Risk' sector and the upper right (constructive culture/high commitment to leadership) is the 'Sustained Performance' sector.

The horizontal axis is purposefully placed at the centre of the model – allowing for organisations to be described as 'above the line' or 'below the line'. Below the line represents the Stagnating phase, moving through the line is the Transitioning phase and above the line represents the Transforming Phase.

dispensable commodity rather than as a valuable resource. People do not seek or respond well to critical feedback. The ultimate outcome is unsustainable performance based on exploiting resources internally and externally.

Figure 1: Stages of Organisational Consciousness

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The first stage – Denial

At this stage there is no awareness or acknowledgement of the role of culture in organisational performance and very little understanding of the importance of leadership. Culture is seen as being "airy fairy" not something that requires investment or conscious development and is antithetical to performance. Executives are likely to oppose any initiatives related to cultural change seeing it as a waste of corporate resources.

Thinking is influenced by a short term horizon, with a concrete focus –what will drive the here and now regardless of the broader impact or long term implications. The organisation emphasises task at the expense of people. People are seen as a

The second stage – Non-Responsive

At this stage there may be some awareness and perhaps even some acceptance of the role culture may play, but culture is not seen as a significant factor in performance. The belief system can best be characterised as one of indifference. There is no real belief in the need to focus on culture and culture is seen as irrelevant to the performance of the organisation.

There is very little commitment amongst the executive team to the role that leadership and culture can play. Culture is seen as irrelevant to organisational success thus executives may pay lip service to the issue but no action actually eventuates. Thinking is influenced by a short term horizon and focus. Apathetic and reactionary, leaders are catalysed into action if forced; otherwise there is no

real program although presentations will have been made to argue the case but to no effect. The ultimate outcome is preservation of the status quo, and the slow changing organisation creates unsustainable performance.

The third stage – Compliance

At this stage the impetus and desire is to measure the current culture as information gathering rather than measuring for change. The case for change has not been made. Culture is seen as a nice to have. It is consistent with the organisation's conventional practices for measuring employee satisfaction and retention.

There is somewhat increased commitment at the top from leaders but their focus is still on culture as a 'HR Issue', ancillary to a focus on 'the real businesses. Focus is still largely on the short term although there may be some attention on a medium horizon.

Emphasis is on complying with established convention and protocol. Feedback is accepted and small changes implemented where risk to convention is involved. Leadership and culture is described in terms of 'good' or 'bad' and there is a prevailing climate of 'enforcement' about change, with it being very much imposed upon people as a 'requirement'. The ultimate outcome is one of assessment. Intention is about measuring with little consideration of action beyond this.

The fourth stage – Efficiency

At this stage there is a belief in the need for change, but an expectation that change means adapting and modifying what already exists. As part of this, measurement of outcomes is relevant in order to optimize talent and human capital by evolutionary change of what exists, but transformational change is not envisaged.

Senior executives then become interested in the results of the measurement as a means of making systems and process change to enhance efficiency, but may not yet accept the need to change themselves.

Focus is on both short and long term, with an interest in cause and effect, linear, analytical problem solving to drive actions. Decisions are made on technical merit or perceived expert knowledge

sources. The outcome is incremental change designed to optimize systems and processes, along with increasing engagement, satisfaction and retention. Focus is on improving KPI's.

The fifth stage – Strategic Proactivity

At this stage the business case for change has been clearly articulated, the organisation is committed to the journey, and change is seen as an on-going process not an event. Cultural change is seen as integral to measuring higher levels of productivity and performance. Cultural change has moved from being something that HR does to something that is owned by the business.

The CEO and the executive team are all strong advocates and see cultural change as beginning with them. They lead by example. Focus is on both short and long term horizons. Feedback is proactively sought. There is a transition from *responding* to a need for change to *shaping* the change agenda. Culture work and cultural change is valued but still may be seen as a cost. The outcome is one of continuous improvement, valued as delivering results for the business.

The sixth stage – Resilient/Sustaining

At this stage the case for on-going cultural change is assumed to be integral to the organisation's on-going commitment to the developing economy and society. Culture change becomes culture development and is a 'faith/creed'; the vehicle and determinant of effectiveness of the business strategy and as contributing to a more effective society.

The leaders' belief and commitment is much more integrated as a personal value rather than just the right thing to do for the organisation. It is now a core belief and part of their identity as leaders.

There is both a short and long term focus, seeking and creating opportunities for personal and organisational transformation. The organisation is characterised by respect for all stakeholders and is responsive to its role in society. Focus is on developing a resilient organisation of substance.

The outcome is long term sustainable performance. A Constructive culture is established as the default culture and as an investment in transforming performance across the organisation.

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Where to from here?

Having established the framework, the next step now is to examine how organisations transition through the various stages of consciousness. As Professor Dunphy outlined in our book *In Great Company – Unlocking the Secrets of Cultural Transformation (2011):*

- Organisations do not necessarily experience each stage in the same way nor for the same amount of time. Its experience and duration is determined by the executive group leaders' depth of belief and commitment. Transformation is emergent therefore there is no set formula for the way the organisation experiences or will behave at each phase.

- Reflexivity is not something that leaders and organisations just arrive at, it develops and evolves as the leaders develop and mature. In the final phase of the "Resilient" organisation, reflexivity is so well embedded at all levels of the organisation that it is also achieved at the macro level when the organisation acknowledges and demonstrably operates as being interdependent with and in service to the broader society.

  While awareness is an essential part of reflexivity so is the ability to alter behaviour in response to feedback in a way that modifies its place in the social structure. We see this in the way businesses make decisions with or without due respect to their impact in society.

  Macro reflexivity is achieved when businesses consider the impact of their decisions and their business on the broader community and economy.

- Individual leaders may be at a different developmental phase to the rest of the organisation. It is possible and arguably desirable for the CEO or an executive individually to be at the 'Strategic Proactivity' phase yet their organisation be at the 'Efficiency' stage.

  This reinforces our earlier finding that individual personal transformation precedes organisational transformation. In such cases the leader provides the impetus and direction to evolve to the next level.

- There is also an external/internal referencing dimension inherent in this developmental framework. The first three levels are external referencing. By this we mean that the executive group looks to the external environment, references outside of themselves to help determine their behaviour and decision-making.

These types of responses have their genesis in fear/anxiety and thus look outside of themselves for validation and assurance. This is why a Defensive culture develops as this conscious and unconscious value and behaviour is promoted throughout the organisation as a cultural norm.

As organisations become more evolved and begin to transition through to the top three levels however, we believe that leaders become more internal referencing, more self-authoring. This does not involve abandoning one reference point for another but rather including both reference points as integral to decision making.

In this way organisations operating at the higher levels do not just react to the environmental context but they demonstrate more agency in actively shaping and changing the external environment they inherit.
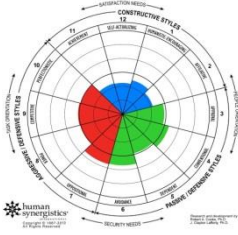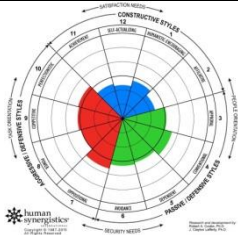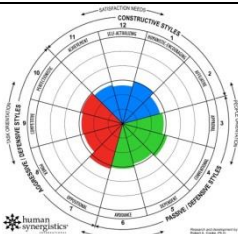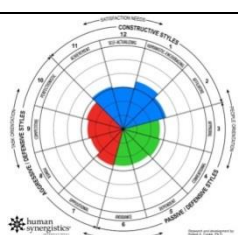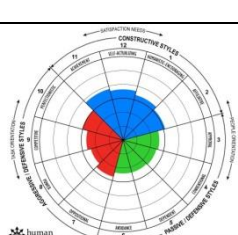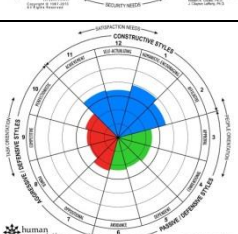
An example of this can be seen in an organisation's responses to the Global Financial Crisis, those that immediately went to cost cutting rather than generating alternative ways of doing business were likely operating at the lower levels; while organisations that sought to increase productivity or negotiated creative ways of working with staff were likely operating at higher levels.

Movement from phase to phase does not proceed in a precise or clinical way; rather there are transition points in between the phases

The next step now is to review the data on organisational culture, the causal factors that lead to such cultures, and the outcomes of these cultures form a large number of local organisations to help gain some insight into how they transition through the stage.

Table 1: Organisational Culture Inventory® (OCI) Aggregate Profiles each Stage

Stage	Aggregate OCI Profile	% Organisations Based on N = 1,824 Organisational units
Denial		**11%**
Non-Responsive		**40%**
Compliance		**17%**
Efficiency		**11%**
Strategic Proactivity		**18%**
Resilient/Sustaining		**3%**