Complexity and the Power of Strategic Conversation

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Rapid change at a global scale is driving increased complexity and uncertainty. New developments continually challenge our world view. Complexity reflects our limited ability to understand highly interdependent, multi-variable systems. Ecological systems are but one example. The cumulative effects of trace chemical pollutants seeping into a river system are largely unknown because the outcomes depend on many intermediate and interdependent variables. Human systems have similar qualities. Cities, for example, involve complex interactions between subsystems involving land use, energy, transportation, water and waste overlain with economic, social and political systems.

Such complexity makes our capacity to intervene problematic. First, the system itself is dynamic, which greatly increases our level of uncertainty. Second, the effects of intervention are uncertain. Efforts to understand the system more fully can reduce the uncertainty, but in many cases, the uncertainty is irreducible. In risk management terms, we simply do not know all the risk factors or the distribution of future events. Making assumptions about probability distributions can be disastrous. The collapse of housing markets in the US set off a chain of events outside the probability distributions embedded in risk models. The failure to understand the effects of “fat tails” and the dramatic impacts of extreme events contributed to the huge losses incurred by financial institutions in 2008.

The rise in complexity and uncertainty gives rise to what Adam Kahane (2004) called tough problems. Such problems have three key characteristics:

(1) Dynamic Complexity: Causes and their effects are separated in time and space (e.g., climate change).

(2) Social Complexity: Multiple stakeholders have different interests, perspectives and priorities (e.g., oil sands development in Alberta).

(3) Generative Complexity: The future is fundamentally unfamiliar and undetermined (e.g., MENA crises).

Kahane concluded that addressing tough problems requires a systems approach that is broad, integrated and holistic; an engagement process that involves dialogue and collaboration; and creative solutions that go well beyond best practices.

In the face of dynamic complex systems and future uncertainty, how can we address tough problems? These problems may range from the strategic decisions of a single organization to broader societal issues. Kahane provides a few important clues: systems thinking, engagement and creativity.

The challenge is not just to make better decisions, but to develop better decision-making processes that embrace complexity and uncertainty.
**Scenario planning** is an approach to decision-making that embraces the complexity of systems, engages key stakeholders and heightens creativity. Rather than attempting to reduce uncertainty, as in the case with forecasting, scenario thinking embraces uncertainty and encourages systems thinking. The process also involves a highly participatory, interactive exchange of ideas to broaden thinking and build shared understanding.

Pierre Wack (1985) described scenarios as “the art of reperceiving”. The intent of scenario planning it to open minds to new ideas, new possibilities and new paradigms: to see the world from more than one perspective and to encourage creativity. As these descriptions suggest, the process of developing scenarios, evaluating strategies and making decisions are social processes. They involve an exchange of ideas in what Kees van der Heijden described as **strategic conversations**. In our experience, strategic conversations have four important properties:

1. They focus on **strategic decisions** that have significant long-term consequences.
2. They are **future-oriented**, exploring how the future could unfold differently and affect the consequences of current decisions.
3. They emphasize **learning** and build **shared understanding**.
4. They are **open, informal** and **focused**, while also encouraging reflection and thought.

Open, reflective and thoughtful defines a style of engagement that is flexible and open to new ideas, yet structured to focus on a strategic topic. Quality conversation that allows new ideas to surface is more important than the timing of the agenda. The most productive style of engagement balances **structure with flexibility**.

Good strategic conversations also embrace the tenets of **enquiry** as much as advocacy. While most leaders have honed their advocacy skills to reach their senior position, few are as skilled in enquiry. Skilled communicators use enquiry to help others express their ideas more clearly. Enquiry is characterized by asking good questions, not by providing answers. Good strategic conversations are **question full**.

To review, the increase in complexity and uncertainty and the rise of tough problems require **new decision-making processes**. Strategic conversations emphasize the social aspect of learning and decision-making that builds the focus, alignment and momentum needed to define and implement strategic direction.

**Strategic conversations** also allow participants to build new ideas and perspectives, establish important relationships and create the necessary alignment to take shared action. Strategic conversations build momentum from shared understanding, to shared decisions, to shared action and, ultimately, shared performance.

**Scenario planning** and **strategy development** create opportunities for question-based strategic conversation. Do we understand our environment? Our risks? What is the key strategic issue we are facing? Is our strategy clear? Are we aligned?

Breakthroughs in your business will come from asking new and challenging questions. Creating the space for strategic conversation is a powerful approach to decision-making, and ultimately, to making better decisions.
References:

