

The Order of Change

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Psynet Group

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Psynet Group is often brought into a company to help change it so that it can improve performance or address new opportunities and challenges. What becomes crucial in our work together is to understand if the need is to improve the mechanism to express the company's current identity (first order change) or to align the mechanism with a change in identity (second order change).

First order change works within an existing structure and organizational view of the world. You could view it as tinkering with a system – doing more or less of the same, making an existing process better or more accurate, and making incremental changes. With first order change, the mechanism is changed to produce different results; however the organization's personality, values, and purpose remain the same. (see chart below)

Second order change is often described as transformational, revolutionary, disruptive, or chaotic. It involves seeing the world in a different way, challenging assumptions, and working from a new and different worldview. Margaret Mead believed that people only made this kind of change when they had a religious conversion, went to therapy or experienced a catastrophic event that made the old way of looking at the world irrelevant. We believe that organizations also must experience a seminal event before they enter a second order change.

We are in the middle of a seminal event, currently imposed by the Covid-19 pandemic. And organizations are faced with drastic changes; several completely outside of their control. When a second order change comes from events with high impact yet completely out of our control, it creates a fear that can either paralyze a system or provoke a significant shift in identity.

When and Why Would an Organization Make a Second Order Change?

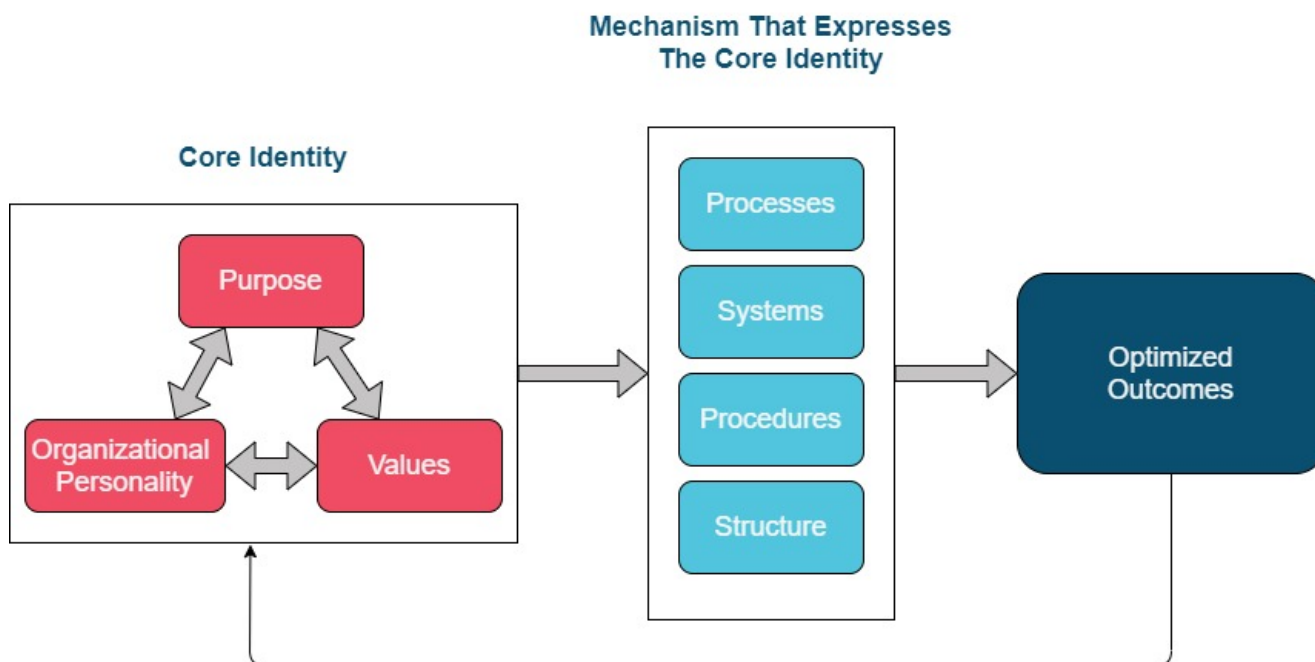
With few exceptions, most organizational change is a response to either a crisis or an opportunity. The organization then decides whether or not to implement a first or second order change. A first order change is easier and requires adapting to the circumstances. For example, rearranging our office space to increase distance between workers is a first order change. In this case, the seminal event is more of a nuisance.

Second order change happens when the seminal event causes an organization to question its identity. They experience a feeling that their values and purpose no longer make sense in the context of the event. As a result, the change in identity means the mechanism is no longer aligned. We are finding misalignment to be more profound during this pandemic than during previous events. Many clients are experiencing second order changes that appear like an

organizational identity crisis. They are experiencing a shift in their organization core and telling us that what was important before is not relevant now. Therefore, many of our clients are rethinking their values, personalities and purpose.

We use the following chart to provide an overview of our restructuring process with our clients. It shows that identity informs the behaviors and structure of the organization. When they are aligned and optimized, organizations achieve the best possible results.

The Psynet Group Approach to Alignment



However, the chart also shows that if the identity of the organization changes but their mechanism that expresses that identity does not, the lack of alignment could be disastrous on their outcomes. In some cases the outcomes are not optimized; in others they get optimized results that no longer matter to their identity.

What To Do When Your Organization Experiences Second Order Change of Identity

We believe that failing to understand the impact of seminal events on identity is a primary reason why restructuring and change initiatives fail. The solutions are complex, but these suggestions are a start:

1. Understand that the identity your company experienced prior to the pandemic may have changed.
2. Acknowledge that internal members and customers/consumers/clients may not be ready for your post-event identity and will also need time to adjust.

3. Consider resolving or replacing elements of your organization that are not aligned with the new identity.
4. Review the process you use to make decisions and make sure your decision makers apply the value hierarchy associated with the new identity.

The Point

We don't know what the world will be like once this pandemic passes, but we do know that major events have an impact on our identity and many organizations will experience the forces that push for a second order change whether it is desired or not. Psynet Group is prepared to help companies understand the impact of this global tragedy on their core identity and how to align the mechanism to actualize it. If you need a partner to reflect on the impact of the pandemic on your organizational core identity, contact us.