

WHITEPAPER

WE LIVE IN A VUCA WORLD.

The digital transformation requires a new corporate culture and structure

BEULCO[®]



WE LIVE IN A VUCA WORLD

In the 21st century, the megatrends of globalisation, digitalisation and networking are leading to a completely new market environment for companies. In addition, water supply companies are currently facing various challenges - heavy rainfall events, periods of drought, a shortage of skilled labour, bureaucratic hurdles, IT security and increased customer requirements are just a few examples. Added to this are the crises of the last two years.

We live in a so-called VUCA world. VUCA stands for Volatility, Uncertainty, Complexity and Ambiguity.

Volatility

In the VUCA world, volatility refers to frequent and significant changes in the market environment. Many of the changes are caused by new technologies, regulations and cultural trends. Small or large changes become unpredictable - and increasingly drastic and rapid.

Uncertainty

The predictability and calculability of events are rapidly diminishing. Past experience or forecasts as a basis for planning the future are losing their validity. Companies and managers are under great pressure to make decisions

Ambiguity/Ambiguity

Ambiguity refers to the ambiguity of information. Information can be interpreted in different ways, and it is seldom possible to determine something completely clearly and precisely. This often leads to wrong decisions. Managers are faced with the problem or worry of damaging the company or their own reputation by making the wrong decisions, which in turn prevents them from taking bold, strategic measures.

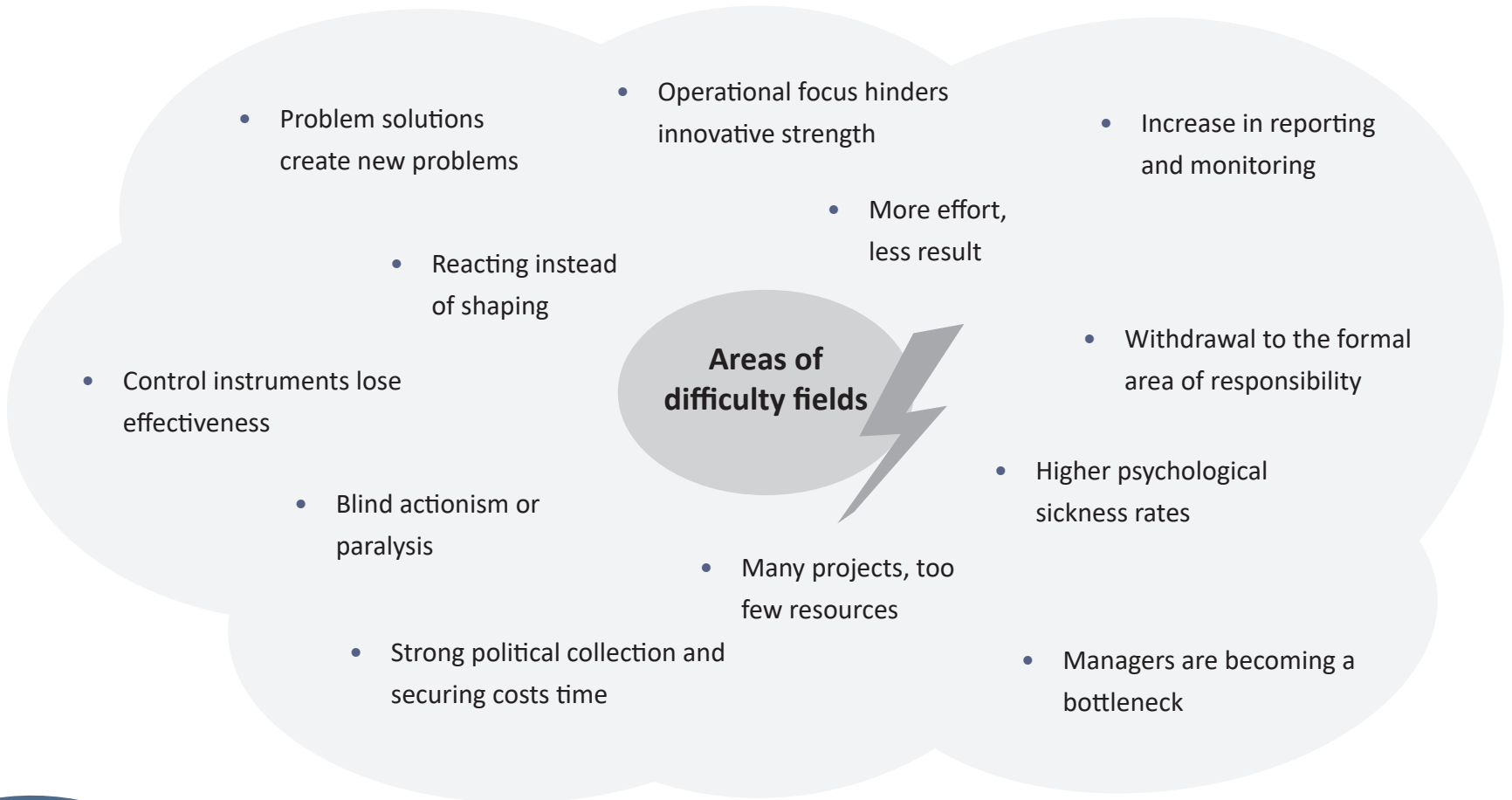
Complexity

Our world is more complex than ever. What is the cause? What is the effect? Problems and their effects are becoming more complex and more difficult to understand. Everything is getting mixed up and connections are becoming more confusing.

We have realised that things in this world no longer work the way they „used to“. Digitalisation in particular will fundamentally change our working lives. There will be no stopping progress. Nothing can be planned for one or more years. Permanent upheaval is normal. We will now have to set off without knowing the exact path. This has a fundamental impact on the organisational structure and culture of a company.

Digital transformation is not possible at all without organisational restructuring.

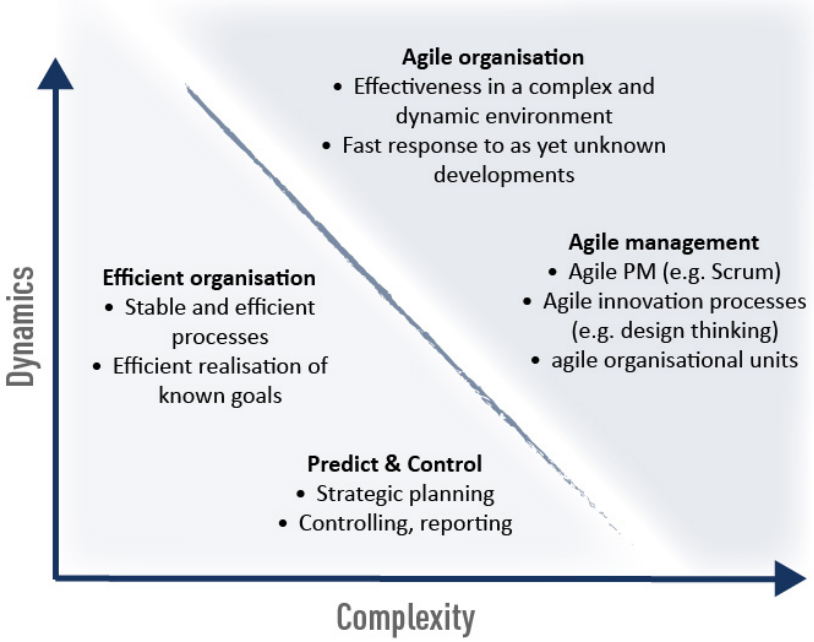
The framework conditions for companies have changed drastically in recent years (especially in the last two). Many companies are noticing a state of overheating - surely one or two of these points also apply to your company.



The greater the complexity and dynamics, the sooner and faster a company enters the danger zone.

But how do I get out of the danger zone?

The complexity and dynamics remain and will continue to intensify - so a regression to hierarchical, functional organisations is not possible or is doomed to failure. Organisations must be able to adapt quickly to changing conditions and become more flexible in order to adapt to new situations. This requires a paradigm shift towards the dissolution of rigid systems. What is needed is an agile organisation that is **fast** and **flexible** in itself.



HIERARCHY VS. AGILE

In specialist literature, agile organisations are often defined in this or a similar way: Agility describes

„the ability of an organisation [...] to continuously adapt to its complex, turbulent and uncertain environment. In addition, [the organisation] must adapt quickly to internal and external changes by developing the ability to anticipate these changes as early as possible, to be innovative and ready for change itself, to constantly learn as an organisation and to make this knowledge available to all relevant people“
(translation - Häusling/Fischer 2016, S. 30).

A core factor of an agile organisation is a culture of trust. The culture of trust is a basis for hierarchically centralised decision-makers to largely transfer decision-making and action competence to employees. This means that decisions are made more quickly, actions are taken more quickly and reactions are faster.

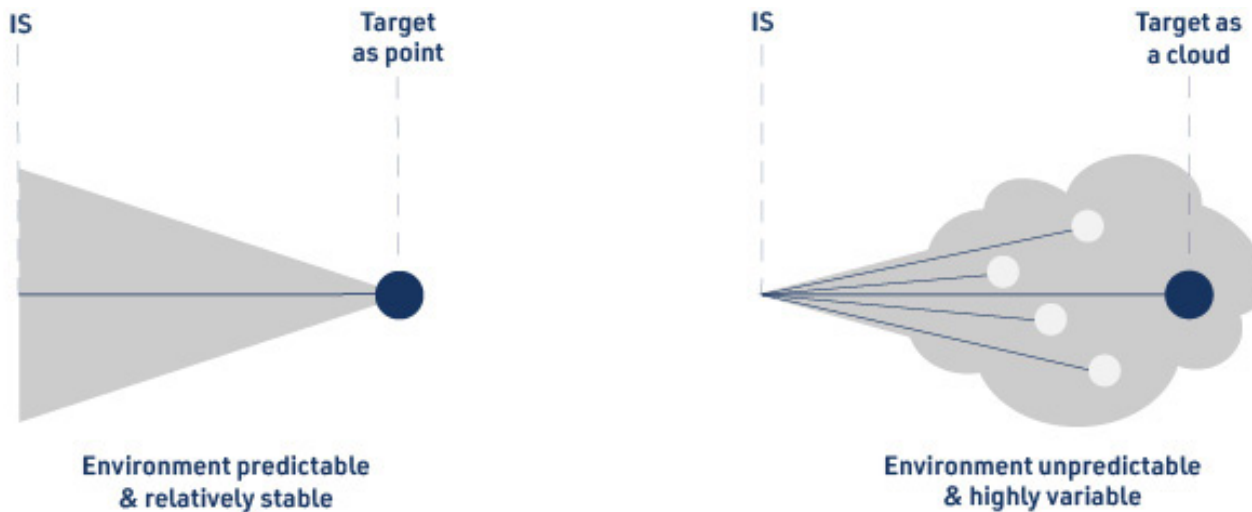
Another aspect is the learning organisation or the ability to constantly **question things** and decisions - even things that are taken for granted. This is because many employees who have been working for a company for years are used to existing tasks and processes - „it has always worked like

this, why should anything change“ are common objections or thoughts.

But back to the characteristics of an agile organisation, often also referred to as a network organisation, and the differences to the conventional classic company structure. Different values and principles apply in agile structures than in traditional hierarchical structures. We are moving away from top-down, control, fixed rules and roles as well as process-orientation towards transparency, open communication, flexibility and personal responsibility.

Agile organisations work in small, self-organising and autonomous teams. We do not have one or a few managers who are responsible for decisions in the company, but either decentralised decision-making responsibility distributed across several roles or joint decisions. Responsibility for profits and losses is not only borne by the management team or executive board, but by teams and all their members. As day-to-day work becomes increasingly complex and extensive, more and more tasks and responsibilities are being added to managers in their role in traditional structures. If these are distributed among teams and employees, the manager no longer becomes a bottleneck that slows down the organisation even more.

Furthermore, agile organisations plan in so-called „target clouds“, not with precision landings. The VUCA world means that we do not know at all at the start of a project which influences and framework conditions will change over the duration of the project, so it cannot be clear what the exact target or result will be.



The goal is created in the process and is defined by the team. This also changes the role of the manager. In general, agile leadership has immense advantages for everyone involved:

Manager

- Out of the bottleneck
- More designers, fewer managers
- Larger field for more result production by the team

Company

- More flexible response to greater complexity and dynamics
- Risk reduction
- Employer becomes more attractive
- Spirit of innovation unfolds

Employees

- Potential for self-development increases
- Autonomy and responsibility increase, resulting in higher motivation
- More interactive creativity and joint responsibility is created

Customer

- More precise knowledge of customer needs across the entire value chain
- Innovation intensity and speed increase
- More flexible and faster reactions to customer needs

Another characteristic of an agile culture is permanent questioning. In times of constant change, things that are taken for granted must also be regularly scrutinised - how else can we get out of the mindset of „we've always done it this way“? This must be actively encouraged by managers.

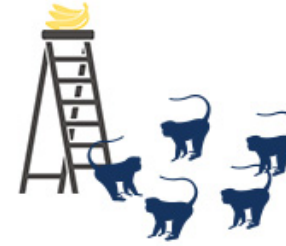
A group of scientists locked five monkeys in a cage. In the centre, they placed a ladder with bananas on top.



Whenever a monkey tried to climb the ladder the scientists sprayed the other monkeys with a large amount of cold water.



After a while, the group beat up every monkey that tried to climb up the ladder.



After a while, no monkey dared to climb up the ladder, no matter how great the temptation.

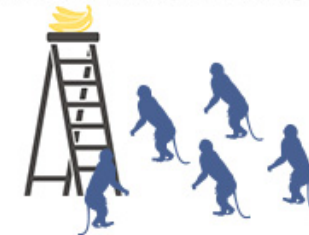


Scientists decided to replace one of the monkeys. The first thing the new monkey did was climb up the ladder. The other monkeys immediately beat him up.



After a few strokes, the new monkey learnt that he was not allowed to go up the ladder. Without knowing why.

The second monkey was replaced and the same thing happened. The first new monkey took part in the beating of the second monkey. A third monkey was exchanged and the same thing happened again. The same happened when the fourth and fifth monkeys were exchanged.



What was left was a group of 5 monkeys who, although they never got a cold shower, continued to beat up any monkey who tried to climb the ladder.



If you could ask the monkeys why they beat up everyone who tries to climb the ladder, the answer would probably be:

"I don't know - that's how it works here."



So take the opportunity to share the reasons with others, because they might wonder why things are continuing as they are, even though there is another way.



THE CHANGING ROLE OF ADVOCACY FORCES

We have already established that the role of a manager in an agile organisation will and must change. The focus of the traditional management role is the organisation and control of tasks and processes. Two new aspects are important for agile managers:

1
2

On the one hand, the agile manager must inspire and formulate a clear vision and strategy and support change and transformation.

Secondly, the agile manager must be an effective coach for employees: Guiding problem solving and supporting employees in their development must no longer be a side issue. In agile teams, employees are empowered to make decisions independently.

Managers are decisive drivers (or inhibitors) of agility. This is why top management in particular must exemplify this role and empower and support managers. Many managers find it difficult to take on this new role, as it is often accompanied by a feeling of loss of control when tasks, responsibility and decision-making power are handed over to the team. It is therefore all the more important to reflect regularly and to value and support the individual members of the team in their competences. After all, each team member has a certain expertise and is an expert in their field. This gives rise to new roles in the team, which change the way they work together and make decisions in the long term.

A regular feedback process helps both the manager and the team to develop together. Essentially, managers must „learn to listen, and listen to learn“. This includes actively questioning employees and seeing mistakes as a natural part of the development process. An open error culture is part of the agile organisation.

Resistance as a reaction to change

For most employees and managers (not excluding top management), however, this change in the world of work is initially accompanied by rejection, fear and a lack of understanding. So how do you manage to develop an agile corporate culture and organisation that forms the framework for a successful digital transformation?

CLEARLY:

There is no patent remedy for this. However, there are approaches and methods that can be used to create this basis.

CHANGE IN PRACTICE: PYRAMID AND NETWORKS

BEULCO GmbH & Co. KG is a medium-sized company with around 200 employees. Around 65% of these work in production and 35% in administration. At its site in Attendorn, the company produces components, products and systems, mainly from non-ferrous metals.

Managing Director Jürgen Christian Schütz initiated the change process in 2019. Prior to this, the company had spent several years working on topics relating to digitalisation and Industry 4.0 in order to make itself more future-proof. The company had recognised that, in order to remain competitive in today's world, companies ultimately need to act faster and more flexibly thanks to digitalisation. However, it quickly became apparent in many digitalisation projects that digitalisation not only meant a technical and market change, but also a change in the world of work.

Some projects failed at the time - the question was „Why?“ - lack of qualifications, excessive demands on employees, a lack of understanding of new tasks and, above all, the often-uttered phrase „it worked like this before“.

1 THE EMPLOYEES MUST BE TAKEN ALONG. ALL OF THEM.

In February 2019, Managing Director Jürgen Schütz invited 25 employees from various departments and hierarchical levels to an initial kick-off meeting. He explained the background and necessity of the digital transformation, the change in the world of work and made it clear that employees are at the centre of everything and that the company must change in order to remain fit for the future in the so-called VUCA world.

At the end, the 25 employees were asked whether they would like to be part of this transformation process and act as multipliers within the company.

February 2019

This was the foundation of the **Community of Practice (CoP)**. By definition, the most important tasks of a Community of Practice are to create common standards (among themselves, but also within the workforce), solve everyday problems, distribute knowledge and drive innovation.

It was important to first pick up the CoP, i.e. the multipliers in the company. In the second step, the entire workforce followed as part of an „Open Space“ event.

Open Space is a conference format that allows large groups to work on urgent, broad, complex or overarching topics in a short space of time.

June 2019

In June 2019, production at BEULCO stood still for two days - a high cost factor, but also a necessity. All employees were given the background to the digital transformation. They were also given an understanding of why this affects every single employee and what it means for their future work.

The two-day conference included learning and implementing new methods on company-specific topics. On the first day of the conference, employees had the opportunity to familiarise themselves with new, so-called agile methods of (team) work. These included, for example, methods for efficient group communication, such as the self-organisa

These included methods for efficient group communication, how the self-organisation of teams works, how customer-oriented problems can be solved and how quickly a team of different people can grow together. Interpersonal issues were also addressed. The aim was for every employee to be able to contribute independently from every department and in every position, as every point of view is equally important and in demand here.

The rather sceptical attitude towards such an event at the beginning had already subsided on the first day. By the end of the conference, the enthusiasm of the workforce was palpable. The boundaries between departments dissolved relatively quickly and communication between them took on completely new forms.

At the end of the event, 12 working groups were formed to continue working with the methods learnt across departments and according to the principle of agility. Around 75% of the workforce took part. The members of the CoP acted as organisers and coaches for the agile working groups.

2 EUPHORIA CAN QUICKLY LEAD TO DISAPPOINTMENT AND FRUSTRATION.

After several months of working with this new organisational structure, the sobering conclusion was that employees were leaving the working groups, results were not forthcoming and resentment was spreading among the workforce -

What was the point of it all if nothing was going to come of it?

REASONS FOR FAILURE AND THE LESSONS LEARNT

1. Costs and benefits of the change were not sufficiently understood

After the Open Space event, too little was communicated about the WHY. It must be made clear to employees again and again what is behind the changes and why they are necessary. Communicating it once is simply not enough.

2. Information about the overall process of change was insufficient

There was a lack of transparency. The working groups worked, but communicated little about what they were actually doing and what results were being achieved. There is a tendency to communicate only when something has been completed. Even small advances or highlights are important to communicate, as this is the only way everyone knows that progress is being made. Otherwise it looks to the outside world as if nothing is happening. It is also sufficient for the sustainability working group to communicate how many plastic coffee cups and therefore waste are saved each year because every employee has been given a thermo mug with which they can help themselves from the coffee machine as usual.

3. No standardised expectations and ideas about the overall process

It quickly became clear that the expectations of the workforce were very different to those of the management and CoP. A transformation process is not „just done“. Such a process takes years and is never actually complete. This also needs to be communicated openly and transparently and an understanding of this needs to be created among the workforce

4. Faulty resource planning

Agile working groups also need time and space to meet and continue working on their topics. It is not easy to find time slots for this in a manufacturing company with shift work. No problem in the administrative area, the hour of project work can be quickly slipped in between. But the production employee can't just leave the machine to take part in work group meetings. As a result, the proportion of production employees in the working groups, which make up 60% of the entire workforce, was reduced very quickly. In addition, digitalisation projects require the support of IT - who else is going to program, set up hardware or evaluate software?

Following the error analysis, measures were introduced immediately. Offline and online opportunities for open and transparent communication were created, such as info boards or the introduction of the new intranet, where each working group has its own page on which it regularly reports on activities and results or can also send surveys to the workforce.

The IT bottleneck was tackled by setting up the „Digital Guides“. A group of employees who have been trained for over a year to independently tackle digital process topics or software and hardware problems and solutions upstream of IT. They support the agile working groups.

Some working groups were then gradually completed so that progress could be recognised. New working groups with new topics were soon initiated, which in turn motivated other employees to participate in the process again.

One thing was clear after this initial learning phase:

Setting up the company in a completely agile way would not work, because in a production company needs clear functional areas, structure and controlling.

Another realisation from the learning phase was that the more agile employees and managers are to be, the more stability and orientation they need. This raised the question of what the right mix of agility, stability, hierarchy and network should look like.

But the organisation still needs to change and position itself for the future. BEULCO spent two years testing and observing what could work for the company and how. BEULCO has therefore developed the dual operating system model.

In the dual operating system, there is the first, classic operating system that is characterised by hierarchy and stability. The second operating system is the agile network organisation, which focuses on flexibility, speed and cross-departmental work.

BEULCO has found the solution for itself by using **operating system 1** for the **basic and existing business**, i.e. in classic production. **Operating system 2** is used for **new business areas** that are currently being set up and consist of small teams.

The aim here is to seize market opportunities quickly and implement them quickly and flexibly in the form of a start-up mentality without hierarchical barriers.

As soon as the success and growth of these business units develops with the necessary fixed structures, they are transferred from operating system 2 to operating system 1.

Operating system 2 is also used in the agile, cross-departmental working groups that emerged from the Open Space and have been continued with many other topics and projects. Here, every employee can participate independently, regardless of which system they work in.

Because it is only when employees work in both systems that both operating systems benefit: The classic operating system stabilises itself and receives innovative impetus, while the agile operating system pursues creative new paths and receives support.

THE BEULCO MODEL TWO OPERATING SYSTEMS



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