—CHAPTER 5—

An Overview of the Four-Stage Change Process

In the summer of 2006, Michael Goodman and I supported a group of community leaders in Calhoun County, Michigan (population one hundred thousand), to develop a ten-year plan to end homelessness.[1] The agreement forged by government officials at the municipal, state, and federal levels—along with business leaders, service providers, and homeless people themselves—came after years of leadership inertia and conflict regarding what needed to be done to solve the problem. Moreover, the plan signaled a paradigmatic shift in how the community viewed the role of temporary shelters and other emergency response services. Rather than see them as part of the solution to homelessness, people came to view these programs as among the key obstacles to ending it.

The plan won state funding, and a new organization led by an executive director and multisector board was formed to steer implementation. Service providers who had previously worked independently and competed for foundation and public moneys came together to work in new ways, as exemplified by their unanimous decision to reallocate HUD funding from one service provider's temporary housing program to a permanent supportive housing program run by another provider. Jennifer Bentley, who chaired the planning process, observed, "I learned the difference between changing a particular system and leading systemic change." In the plan's first six years of operation, from 2007 to 2012, Calhoun County did a remarkable job of securing permanent housing for the homeless, especially in the face of the economic downturn of 2008–09. Homelessness decreased by 14 percent (from

1,658 to 1,419) *despite* a 34 percent increase in unemployment and a 7 percent increase in evictions.[2]

Why was this intervention so successful when many other collective attempts to improve the quality of people's lives fall short? The local foundations and other partners who were involved combined two significant interventions: a proactive community development effort that engaged leaders in the three major sectors along with homeless people themselves, and a systems analysis that enabled all stakeholders to agree on a shared picture of why homelessness persisted and where the leverage lay in ending it. In other words, the approach merged more conventional processes that facilitate *convening* people systemically (such as bringing the whole system into the room) with tools that helped the stakeholders transcend their immediate self-interests by *thinking* systemically as well.

Convening and Thinking Systemically

Part 2 of this book enables you to integrate these processes of convening and thinking systemically into a four-stage change process. Michael and I developed the approach as a result of working with hundreds of executives and change agents who were responsible for leading systemic change and did not know how to use the power of systems thinking to increase their effectiveness. The approach also supports people interested in systems thinking to integrate it into the world of practical action and performance improvement.

Leaders of social change recognize the power of convening multiple and diverse stakeholders—including those representing the nonprofit, public, and private sectors—to achieve breakthroughs around issues that affect all parties. The past twenty-five years have seen many innovations in large group interventions designed to increase communication across the sectors, such as Future Search, Open Space Technology, and the World Café.[3] These interventions are often structured as individual events or a series of events. In addition, new processes such as Collective Impact (reviewed in chapter 2), Theory U, Social Labs, and collaboration partnerships for environmental sustainability have also emerged.[4]

Michael and I have found that systems thinking can enhance many of these approaches by providing what Otto Scharmer, the creator of Theory U, calls a "collective sensing mechanism" that enables all stakeholders to see the bigger picture each of them is part of. This mechanism also helps

people appreciate how they not only support but also often unwittingly undermine system performance, thereby empowering them to think and act more effectively.

The Four-Stage Change Process

We built our four-stage change process on the "creative tension" model introduced by Peter Senge in *The Fifth Discipline.*[5] This model proposes that the energy for change is mobilized by establishing a discrepancy between what people want and where they are (see figure 5.1). If people hold to the vision of what they want and are simultaneously clear and candid about where they are, then the tension will tend to resolve in favor of what they want. This principle applies both at the individual level and at the collective level.

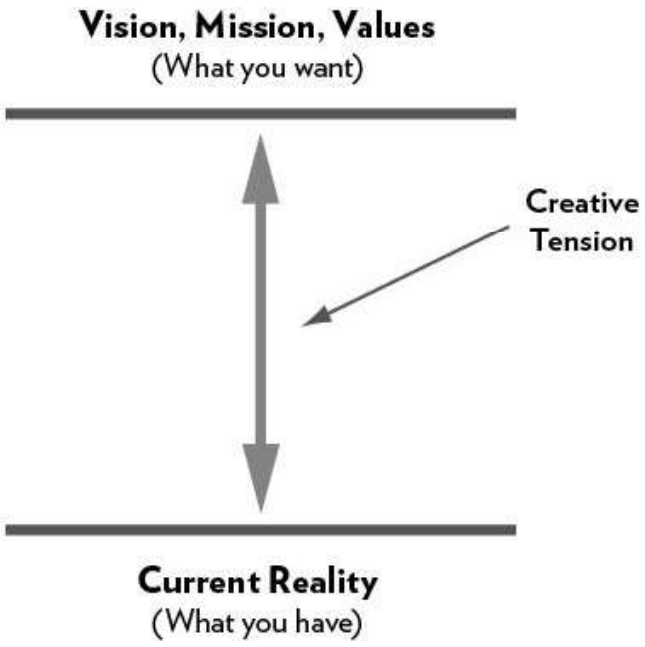

FIGURE 5.1 ESTABLISHING CREATIVE TENSION. Energy for change is created by the tension between a desired and the actual condition. **Innovation Associates Organizational Learning**

Translated to the collective level, when people have a common aspiration—as expressed by a shared vision, mission, and set of values—and a shared understanding of not only where they are now but also *why*—then they establish a creative tension, which they are drawn to resolve in favor of their aspiration. Developing a shared understanding of why the current reality exists is essential to addressing the challenge that stakeholders often agree on where they are at the top of the iceberg (for

instance, feeling pressure to build another shelter), but they fail to see the underlying systems structure that affects and is affected by all of them (their dependence on temporary shelters as a solution to homelessness).

Developing a shared picture of what people want as well as of reality at a deep level enables stakeholders to experience their responsibility for the whole system instead of just their role. It produces a state of *alignment* where people freely commit, "I'll get my part done, and I'll make sure we all get the whole thing done." For example, they might question a decision to invest in new shelters and promote additional investment in permanent, safe, affordable, and supportive housing instead.

So we expanded the creative tension model into a four-stage change process where stakeholders:

1. Build a foundation for change and affirm their readiness for change.
2. Clarify current reality at all levels of the iceberg and accept their respective responsibilities for creating it.
3. Make an explicit choice in favor of the aspiration they espouse.
4. Begin to bridge the gap by focusing on high-leverage interventions, engaging additional stakeholders, and learning from experience.

The process is summarized in figure 5.2.

STAGE 1

The purpose of Stage 1 is to build a foundation for change. The intended result is to develop collective readiness for change. Stage 1 incorporates three steps:

- Engage key stakeholders. This involves identifying the range of possible stakeholders and designing strategies to engage them individually and collectively.
- Establish common ground by creating initial pictures of what people want to achieve and where they are now. It is useful at this point to develop an initial shared vision of the ideal outcomes and an overview of what is and is not working now.
- Build people's capacities to collaborate with each other. This involves developing people's abilities to think systemically and hold productive conversations around difficult issues, as well as their underlying capacity to take responsibility for current reality.

For example, the Calhoun County project brought together leaders from the public, private, and nonprofit sectors along with homeless people themselves to develop their ten-year plan to end homelessness. They engaged in shared visioning and were introduced to productive conversation and systems thinking tools early on in the process.

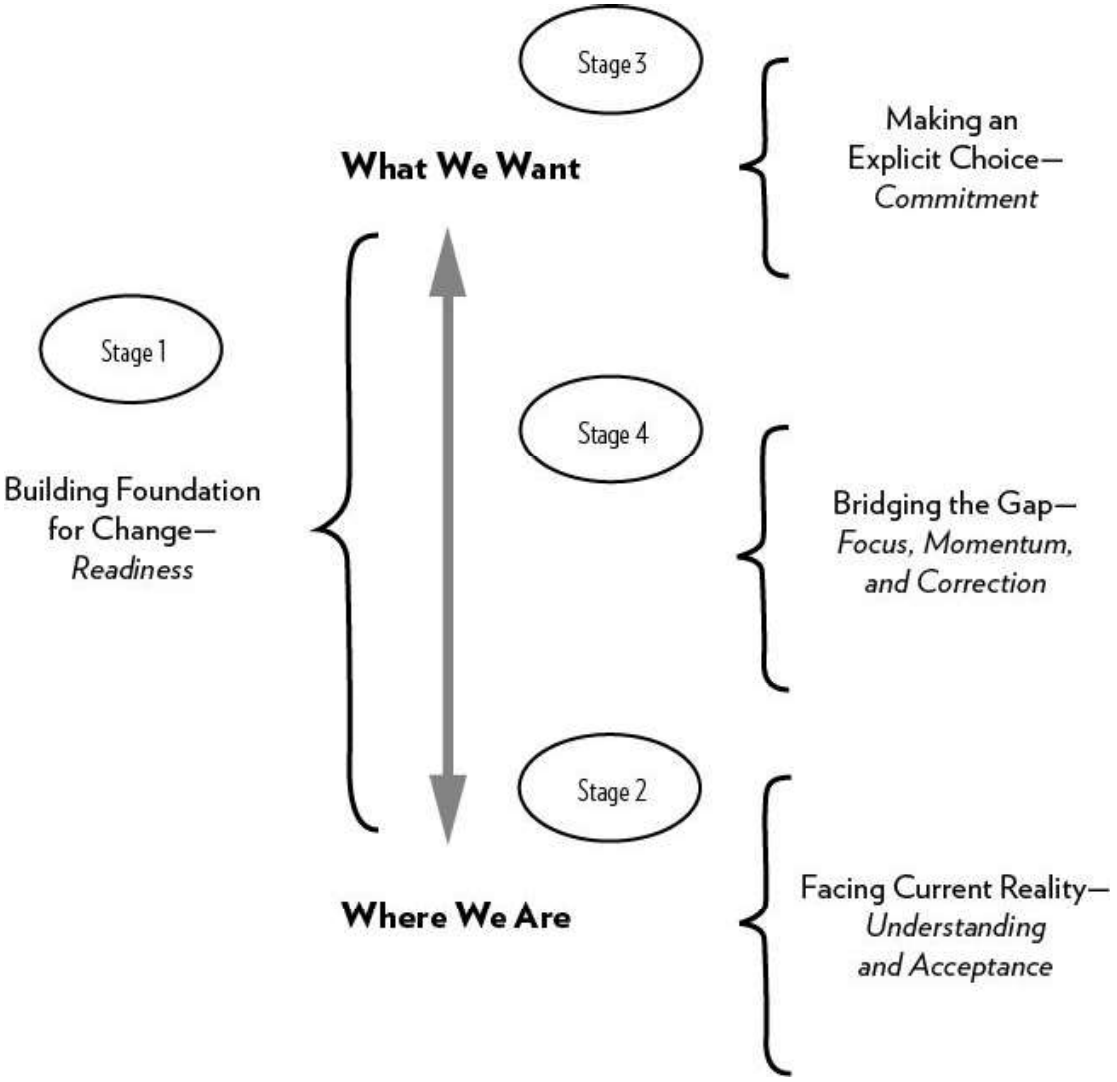

FIGURE 5.2 FOUR STAGES OF LEADING SYSTEMIC CHANGE. This four-stage model provides a clear path for leading systemic change. **Bridgeway Partners and Innovation Associates Organizational Learning**

STAGE 2

The purpose of Stage 2 is to help people face current reality. The intended results are to build not only a shared understanding of what is happening and why, but also acceptance of people's responsibilities—

however unwitting—for creating this reality. While it might seem logical at this point to develop a clearer and richer picture of the ideal future, Michael and I have found that digging more deeply into reality at this stage more accurately reflects many people's desires to understand and be understood for where they are before venturing too far forward. As Otto Scharmer observed based on his work with Ed Schein, professor emeritus of management at MIT, the primary job of leadership is to "enhance the individual and systemic capacity to see, to deeply attend to the reality that people face and enact."[6]

The tasks of Stage 2 are to:

- Identify people to interview about the history of the current situation and clarify what questions to ask.
- Organize and begin to improve the quality of the information.
- Develop a preliminary systems analysis of how different factors interact over time to support or undermine achievement of the vision.
- Engage people in developing their own analysis as much as possible.
- Surface the mental models that influence how people behave.
- Create catalytic conversations that stimulate awareness, acceptance, and alternatives.

For example, Michael and I interviewed fifty leaders from across the three sectors as well as homeless people, developed an initial systems map that we initially vetted with a small design committee, and refined and then shared our analysis with a wider steering committee.

STAGE 3

The purpose of Stage 3 is to help people make an explicit choice in favor of what they really want. The intended result is that they consciously commit to their highest aspirations with full awareness of the costs, not just the benefits, of realizing them. The steps to achieve this result are to help stakeholders:

- Identify the case for the status quo uncovered in Stage 2—the short-term benefits of the current system such as quick fixes that work, for instance, and the immediate gratification that comes from implementing them—and the costs of changing, such as the need to make longer-term investments in effort, time, and money.

- Compare this with the case for change described in Stage 1—the benefits of change and the costs of not changing.
- Create both/and solutions that achieve the benefits of both—or be willing to make hard trade-offs between them.
- Make an explicit choice and bring it to life through a vision that illuminates what people feel called to or deeply wish to create.

A critical turning point in Calhoun County's ten-year planning effort occurred when the stakeholders realized that their current system was perfectly designed to help people *cope* with homelessness; however, the way they were operating actually undermined their avowed purpose to *end* homelessness.

STAGE 4

The purpose of Stage 4 is to help people bridge the gap between what they deeply care about, which they affirm in Stage 3, and where they are now as clarified in Stage 2. This final stage involves identifying leverage points and establishing a process for continuous learning and expanded engagement. Specific tasks are to:

1. Propose and refine high-leverage interventions with community input. This includes:
   a. Increasing people's awareness of how the system functions now.
   b. "Rewiring" causal feedback relationships.
   c. Shifting mental models.
   d. Reinforcing the chosen purpose through updated goals and plans, metrics, incentives, authority structures, and funding.
2. Establish a process for continuous learning and outreach. This covers:
   a. Engaging existing stakeholders on an ongoing basis.
   b. Developing an implementation plan that incorporates demonstration projects as part of a long-term road map.
   c. Refining the data to be gathered based on new goals and metrics.
   d. Evaluating and revising the plan regularly with input from current stakeholders.
   e. Expanding stakeholder involvement by tapping additional resources and scaling up what works.

In the case of Calhoun County, the leverage points people identified became the goals of their ten-year plan, and others have become involved in the implementation. Broader involvement to end homelessness includes engaging stakeholders responsible for economic development, affordable housing, foster care, and the criminal justice system.

While the four stages and supporting tasks are listed numerically, the process itself is not always linear, as we'll see in the chapters ahead, which map out the tasks associated with each step. The lessons from Stage 4, for instance, feedback into a new Stage 1 in an ongoing, circular process. Allowing ample time for the process is critical: In this case, the shortest distance between two points is indeed a circle.

Closing the Loop

- You can increase your ability to lead systemic change by integrating ways of convening multiple, diverse stakeholders with tools that help them think systemically.
- One proven approach for combining the two is a four-stage change process that explicitly harnesses the power of systems thinking.
- The four stages are: building a foundation for change, facing current reality, making an explicit choice, and bridging the gap.
- These stages will be detailed in chapters 6 through 10.