

The Principles of Systemic Intelligence

(from the forthcoming book *Mergers & Acquisitions: How to Turn a Forced Marriage into a Loving One*)

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Paul Zonneveld and Mieke Jacobs have worked with organizations around the world for more than twenty years, researching the impact of systemic dynamics, entanglements and traumatic events on large organizations and top teams (as a result of restructuring, mergers and acquisitions, executive leadership transitions, fraud, accidents, transfer of ownership, etc.) What they have discovered is that navigating complex organizational challenges with systemic intelligence, using the principles and interventions from constellation work, leads to profound breakthroughs.

The principles of systemic intelligence 1) Purpose 2) Connection and Inclusion 3) Order and 4) Exchange help us appreciate the deeper whole beyond the distracting parts and symptoms that typically capture our attention and often mis-direct our energy. While these principles are of special relevance to mergers and acquisitions, which is the context of our forthcoming book, systemic intelligence can guide us in any situation where system dynamics are at play including organizations grappling with the full breadth of strategic and operational issues to societal and interpersonal issues closer to home.

**“The system is perfectly designed to deliver
the results it is delivering now.”**

SYSTEMIC PRINCIPLES

In our interactions with executive or change teams, we put this provoking thought on the table as an opening statement: The system is perfectly designed to deliver the results it is delivering now. We often get push back to this statement at first. As you can imagine, we are typically not called in when everything is bright and shining – even though it is our future vision to see the concepts and learnings from our research and this book applied in a much more proactive way, setting mergers and acquisitions up for success *before* the ink is on paper.

What we invariably find is while the synergies

between both parties have been identified, the savings carefully calculated, the new business processes redesigned by intelligent people, the integration plan was ambitious yet achievable — the results are lagging or even declining.

The way we have experienced working with the Systemic Principles in companies and organizations is that they support us to identify and understand the symptoms, lead us to the underlying dynamics, and can be used as the continuous compass to navigate through the never-ending complexity and change in volatile and unpredictable circumstances.

The Systemic Principles are the result of a multi-disciplinary field of research and phenomenological experience, including but not limited to the domain of family systems and constellations — hence our metaphor of an arranged or forced marriage for the newly formed company, that is literally trying to form a new family system, composed of two or more single families with their own underlying dynamics and history.

The four main systemic principles can be seen as the natural laws of systems, translated to the business reality.

As we will illustrate with numerous stories, not respecting these principles creates entanglements or constrictions which lead to unhealthy dynamics and unintended consequences, often reflected in disappointing or disastrous results, loss of market share, a demotivated workforce, talent depletion, and more. Understanding and respecting these principles leads to flow. The ultimate goal is to be able to use them at all times to navigate in a dynamic complex environment.

In our experience, these four principles are universal, globally applicable and have local specificities. They are Purpose, Connection and Inclusion; Order and Occupying's One's Space; and Exchange.

I. PURPOSE

Most executive leadership teams believe that they have clearly defined their purpose, often described

and nailed to the wall as a vision statement. Having seen many of these, it is as if there is only a limited vocabulary available to write these — a small exhaustive list of words to choose from, the only freedom lies in the construction of the sentence. The “best and highest” are often combined with terms like “quality, safety, customer satisfaction, delivery excellence, innovation, sustainability and employee satisfaction.” We strive for “zeros” in areas like “footprint, incidents, community impact, energy consumption” or aim to “double” something like “revenue, market share, market penetration, net promoter score” — preferably done by a nicely rounded year, like 2020.

When we talk about purpose, we mean something more than these vision, mission and strategy statements. In essence, it comes down to this key question: *What is society inviting you to contribute to?* That might sound naïve at first, but it defines purpose in connection with the world around us. This broader definition of purpose, taking into account the interconnections to society, is vital for the longer-term sustainability of the company. What is the deeper need your company is asked to fulfil? Just ‘beating competition’, ‘doubling our market share’ or ‘penetrating the Chinese market’ is not what we mean.

There are numerous examples of companies who have not been able to adjust their course when society lost value for what they were initially doing, or when that original need was suddenly being met by a cheaper or higher value replacement product or service. They stayed attached to their isolated purpose

What are you trying to achieve in your life and work that may be entangled in systemic issues?
What might you learn by asking these questions of the situation:

I) PURPOSE: *What is the true purpose or desired outcome of this effort, initiative, or even relationship?*

II) CONNECTION AND INCLUSION: *Have I considered not just the obvious, but all the people involved?*

III) ORDER: *What is the “natural order” of each player? To begin to examine this conceptually, ask yourself: what are the different ways to organize each of the parts and players?*

IV) EXCHANGE: *Is there a reciprocity, a balance of give and take, between each of the parts and players?*

for a long time, leading to a total decline or bankruptcy. Obviously, there are as many examples of companies who *did* understand that their business model or strongest brand was reaching its shelf life and that have been agile in finding a new purpose. It is important to keep the true meaning of purpose in mind. Systems strive to survive. We have seen numerous examples of compensating mechanisms, that were covering the early warning signals indicating that it was time to repurpose. Companies directing all their attention and their most experienced resources to that one large contract, while losing sight of refilling the pipeline, being utterly surprised to find themselves in a decline when that arrangement came to an end. Or strategic planning teams suggesting one acquisition after the other, burdening the newly acquired partners with a mother company that lacks innovation.

When understood well and defined in relation to the broader societal needs, a strong purpose gives creative direction to an organization, confirms its right to be in the game and will give you valuable insights to stay agile in an ever-changing environment.

Next to purpose, we also talk about leading principles — mostly will be a subset of the purpose. Companies often refer to their core values as their leading principles. We challenge whether they are, when they look like a copy/paste wish list and seem disconnected from the purpose. Leading principles can sometimes by nature vary for different parts of the organization and dealing with this bottleneck or pain point in the system is one of the key ongoing challenges in the larger set-up.

We found one of the most obvious examples of that in the healthcare industry, where even though they share the same purpose — taking care of the sick and disabled in society — the medical crew often has different leading principles. Doctors, physicians or surgeons, as they confirmed with the Hippocratic Oath, are mostly focused on healing, repairing, fixing and as a result, keeping patients alive as long as possible. The nursing crew, however, often has *patient care* and *quality of life* as the number one leading principle. Finding the right balance between both is the crucial cross-functional challenge. When purpose and leading principles are cascaded down into the organization, it also brings the decision power to the

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right level, allowing each echelon to focus on the right combination of “run & maintain” versus “innovate & regenerate.”

With some of the most visible mergers and acquisitions in mind, the key question becomes whether there is a common purpose to be found, or even whether the purpose of both is compatible.

There is an additional question to add, namely “What is the purpose of the M&A?” There is obviously a strategic intent and ambition for it, but what is *beyond* the plans for inorganic growth, vertical or horizontal integration, doubling the market share or expanding to new industries or territories?

In all our interactions, whether it is in an interview during a diagnostics phase or in a strategy session with the C-suite or the integration team, we ask them at a certain point in time: “What was this merger or acquisition an excuse for?” That might sound like a strange and rather judgmental question, but to our surprise, every single person we asked had an answer to it. They never thought of it as an excuse or didn’t look at it from that angle, but they could all pinpoint what exactly made this M&A a diverging tactic, the fundamental issue the M&A addressed, which critical



quality was previously missing or what aspect needed to stay hidden.

II. CONNECTION AND INCLUSION

This principle is also known as: Everybody who belongs to the system is entitled to have its place. Nobody can leave the system unnoticed.

“The system prevails over the individuals,” is one of our other provoking statements. The common belief is that people are your most valuable asset, literally expressed as your human capital. We believe that these two concepts are not in contradiction. We strive for the value for the human factor, for creating a workplace where there is flow and vitality. However, who you need – how many, which roles, what skill set, etc. – depends on your purpose. It’s not a matter of creating space for everybody, just to give everybody a sense of belonging and work. The goal is to create the organization necessary to achieve your goals.

The company’s purpose and its ambitions for the period to come, in relation to its environment, will define the right organizational design, resulting in a certain structure with different departments, layers and in the end, roles to be filled.

It’s very critical for each individual, but equally so for each department or business unit or plant site, to know and understand their place in the system, which will define their contribution to the whole.

“Everybody has their place” is valid for individuals and equally valid for departments or specific assets. As in a case example used in the book, adding a

customer care department, without clarifying its role and redefining the role of the existing customer service department, whose main purpose is also to serve the clients and increase customer satisfaction, impacts the entire organization. Internal planning and production did not understand anymore who decides on priorities and who is authorized to intervene in the production wheel.

We recently worked with a merged banking cohort. In the demographics part of their annual employee engagement survey they offered the respondents two options: ex-A and ex-F. You might hear the more elegant term ‘legacy A’ and ‘legacy B’, but the impact is the same. People are being boxed into two groups, connected to the past. On top of that, there was a third group of people who did not know what to select, as they joined the company after the merger. They had no attachment to either of the two legacy companies and, given the rest of the organization was still living in the past, were not able to find or connect to a new identity.

We use this principle of *connection*, in relation to departments, functions and people. There is also the need to connect to certain prevailing or hidden feelings and emotions: like mourning, loss or exhaustion. It is vital to connect to whoever or whatever is asking for or in need of attention so the system can go back to flow. Many different dynamics occur when this principle is not respected, as illustrated shortly.

An additional aspect of this systemic principle is the notion that “nobody can leave the system unnoticed.”

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If you have ever seen Russell Crowe in Ridley Scott's *Robin Hood*, you might recall this scene — it happens in many king, queen and knight movies — where Robin Hood, in his disguise as Knight Robin Loxley gives the death notice of King Richard Lionheart to the King's mother. When he hands over the crown to her, you see the pain on her face and a minute later she crowns her younger son John, by saying: “The King is dead, long live the King.” The witnessing noble and peasant crowd instantly kneels for the new king.

There is a sad and awkward feeling that whoever you are, you are interchangeable. You will be immediately forgotten and your place will be refilled the moment you walk out and close the door. This is comparable to how many companies handle significant changes.

- “You have been with this company for twenty-seven years. We have just been acquired by a large foreign investor. We have exciting times ahead of us. We value your loyalty to the new owner.”
- “As a result of the synergies analysis, we have decided to let go of Peter and Suzanne. Today was also their last day. We will eliminate part of their tasks and distribute the remaining work to the rest of the team. Apart from that, nothing else will change for you.”

We forget to say goodbye to people and to honor their contributions. We assume that those left behind go back to normal right away, denying the fact that there is a new and unknown normal and that there might be strong attachments to the old — the old

way of working, the well-known dynamics, the long-held relationships, the traditions and typical jokes. As a result, those who stay behind feel their colleagues have ‘left the system unnoticed’. Their attention and energy will be focused on the empty spots in the teams, prohibiting them from moving on and adjusting to the new reality. Not handling departures well is often damaging to the rest of the team, leaving the colleagues who stay with a feeling of being treated with disrespect, even if they were not the ones who were let go. It is almost as if a part of them has left, together with the leavers, although they are physically still there. The synergy calculations often result in multi-layered spreadsheets that demonstrate the efficiency and productivity per capita at the end of the restructuring. The stretched targets are seldom reached, because this requires people to be fully present and on-board.

As M&A's often include restructurings and retirement plans, we advise honoring the departed in almost every engagement.

III. ORDER & OCCUPYING ONE'S SPACE

Where the previous principles defined what the company needs to reach its I) purpose (the organizational structure, which departments, how many people, which talents and skills), and II) the fact that each department and individual is entitled to a place in the system, this third principle expresses the need to understand *the order or sequence*. It answers where is my place in the system? And how can I fully occupy it?

You might wonder whether this concept of order is outdated. In these times of self-managing shifts; “Toyota-like” leaders who are visible on the shop floor and interact with their teams on a daily basis; virtual organizations; new organizational forms built on a small base structure with mostly freelance connections – it is critical to understand that order does not only equal hierarchy. It might do so in some cultures or companies, but order can be based on many different aspects.

Every system has its intrinsic order. If everybody and every subsystem has its place in the whole, order defines where that place is, how each contributes to the purpose, what is to be expected from each function and who comes first. Pretending that there is no order, not honoring or acting against the intrinsic/agreed order leads to interesting though counterproductive, self-regulating dynamics.

What defines the order of assets, business units, departments or functions, leaders and employees? There is no single answer.

Soon after the acquisition of a Danish based global company by an American-founded global player, we were hosting leadership forums for the C-level, and the next layers of leadership until N-3. As we did the introductory roundtables, the leaders from the acquiring company kept introducing themselves with their names, their titles and their number of service years with the company. Careers ranged from a minimum of eighteen years – considered the youngsters – to over forty years. Higher numbers were spoken with increasing pride. In a smaller group session the next morning, the newly acquired leaders expressed they were horrified by this. In their innovation-driven environment, people were valued for bringing in new perspectives, experience from other industries and corporations, trying new ventures and failing fast. They felt they had landed in a rigid environment with a bunch of grey-haired dinosaurs who had never set foot out of their company or their area of expertise.

Order amongst people can be determined by:

- Leading principle (What function is leading? Sales & Marketing or Production? Curing/Fixing or Quality of Life?)
- Financial stake in the business (e.g., partners who have a personal investment are higher in the order than associates who do not)
- Hierarchical position and breath of responsibility (responsibility does not necessarily equal power or might, but rather the weight and width of the responsibility for a larger whole)
- Seniority in the company or in the role
- Title, role or pay level.

Order can also be defined by: nationality; educational level; the rank/order defined in society (class can affect your rank in a company); contribution to business results; political preference or religion, and much more.

It is critically important to understand what the current order is based upon, to question whether that order is the most beneficial to the purpose and strategic vision and to be able to redefine it where needed. In our experience, it is not necessary to immediately redefine the order of a newly merged

organization. It can be unclear in the beginning how to find common ground, but *naming the differences* removes a lot of uncertainty and frustration and invites the entire organization to co-create the new identity. For example, the ‘dinosaur’ story became one of the shared integration stories, leading to some lightness with both parties.

The same list of criteria can be used to understand the order in the executive leadership team. Recently we worked with a group of global executives leading a business declining year-on-year. In the room we had the Global Managing Director, all the regional market leaders, the global functional leaders (in charge of Human Resources, Finance, Marketing and Communication), and the global owners of the content and expertise, called Practice Leaders. To illustrate order we asked them to line up according to the number of service years with the mother company.

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We then asked them to line up based on the number of service years with the consulting business unit, which led to a totally different picture. The main insight came with our last instruction which was to line up in order of contribution to the business. We were curious what would happen and in this case it led to a total freeze. Nobody was moving. One could sense the discomfort with that question. Some were trying to make a joke out of it, others wanted to understand what the criteria were. In a few minutes we had an illustrative demonstration of the paralysis that was so visible in the organization. With ever-changing directives and KPI's, the employees didn't know anymore how to contribute to the business results and bring them back to growth.

Order is not only defined on an individual or leadership level, it also defines the priorities in the organizational structure and the relationships between departments. Business units or assets might be ordered by any of the following factors:

► **Size:** The larger sites are often the ones with most authority, resources, competencies and the capacity to pilot new products, processes, change programs, etc. We often see a mentor approach, where the large facilities get the additional task to provide expert assistance and coaching support to one or more smaller sites, often within the same country or business unit.

► **Contribution to revenue, profitability, cash flow:** In most companies with an extended asset footprint, there is a large variety in contribution of the different sites. Some are the eternal cash cows, while others are in a constant struggle to survive. This unbalance can have many reasons: product portfolio, local labour cost, plant layout and age. While it is important to make the order of assets transparent, an eternal unbalance in contribution to the business results will lead to other disruptive dynamics (see the last principle of exchange).

► **Product portfolio:** The product portfolio can determine the importance within the overall network. Is it a new release? A demanding range of products? A sole supply product? The most important brand? The most important ingredient for other manufacturing sites? These considerations can lift a site higher up the rank.

► **Nationality/History:** More logical seeming order can be overruled when nationality and history play an important role. Often this is not expressed openly but when you ask the organization everybody seems to know that the founding site remains 'untouchable' or that all sites in the headquarter country are always less impacted by restructurings, even when their performance does not justify it. Even when this is a conscious decision and maybe even a critical one in the founding and early growth

BONE WOMAN by Clarissa Pinkola Estés

There is an old woman who lives in a hidden place that everyone knows in their soul but few have ever seen. As in many fairy tales, she seems to wait for lost or wandering people and seekers to come to her place. She calls herself by many names, but most people call her Bone Woman.

Her sole work is to collect bones. She collects and preserves especially that which is in danger of being lost to the world. Her cave is filled with the bones of all creatures, but her specialty is wolves. She wanders through the mountains and riverbeds, looking for wolf bones and when she has assembled an entire skeleton, when the last bone is in place and the beautiful white sculpture of the creature is laid out before her, she sits by

the fire and thinks about what song she will sing. At that moment, she stands over the creature, raises her arms and sings. The rib bones and leg bones of the wolf begin to flesh out and the creature becomes furred. As she sings and sings, more of the wolf comes into being, its tail curls upwards and it begins to breathe. Bone Woman sings so deep that the floor of the desert shakes and as she sings, the wolf opens its eyes, leaps up and runs down the canyon.

Somewhere in its running, whether by its speed or by splashing into a river or by the ray of moonlight hitting it right in the side, the wolf is suddenly transformed into a laughing woman running free towards the horizon.

years of a company, the moment the company extends its footprint to other countries and regions and aspires to be a truly global company, favoring the founding country over the others can lead to unhealthy dynamics and poses a risk to the long-term sustainability. Bringing together two companies with a strong patriotism and attachment to the founding nationality without addressing it, often leads to an unspoken discord for years to come. We will illustrate in later chapters what can be done in a situation like this.

There are many criteria and no single approach to order. There is no right or wrong. It is not static. After a merger or acquisition, and with every strategic shift, the criteria for order will alter. Our goal is to support clients to navigate in times of change with order as one measurement instrument. What is the official order, and what are the unwritten rules that are defining the real order? What are some of the restraining forces that inhibit the organization to achieve its purpose and performance targets? How can we make these transparent and engage the organization in redefining the right order?

The three principles discussed so far — Purpose; Connection & Inclusion; and Order & Occupying space — and the relationship between them, together

they form the essential structure of an organization. These factors are both the foundations and the building. But how do we breathe this structure to life?

IV. EXCHANGE

We can design the perfect skeleton, structure it and define the interconnections between all parts, but how do we inject life into it? What does it take to create energy, flow and vitality, so that all these elements are interacting in an upward spiral? The founding idea may have created that initial spark, but it is not necessarily an eternal Olympic flame.

The principle of Exchange explores this mechanism of movement and energy flow, by looking at the balance between giving and taking, between debit and credit, between what you owe the company and what they owe you in return. Balance needs to be looked at over a certain period of time, while it will not be in full equilibrium at every given moment, a lasting unbalance leads to unpredictable restoring dynamics. While striving for balance, we will have to accept and work with unbalance.

In a healthy exchange there is a constant movement. A company delivers products to its clients and gets paid in return. The founders or company owners are carrying the investment and the risk, they are

entitled to part of the profit in return; the employees they hire do not carry the same burden. Employees are signing a contract that grants them a salary and benefits in return for their skills, their time and their motivation. You can ask people to run the extra mile during peak load moments or in times of crisis, but at a certain point that needs to be compensated for, be it financially, or in terms of recognition or growth opportunities. This notion of exchange is what lies behind the expression “we have been milking the cow for too long.”

In an acquisition, the concept of exchange gets a bit more complicated. Using our metaphor of an arranged marriage, the buyer pays a significant amount of money to acquire the company name, its brands, the network of assets, its client relationship, the access to new territories and markets and every individual that was contracted. For the employees, however, the acquisition often feels forced, and seems a hostile take-over. The contract signature on the highest level, does not guarantee employees are as excited or willing to exchange their experience, knowledge, skill sets or their motivation and loyalty for the new compensation and benefits. It's only at the highest levels that “What is in it for me” is close to

“What is in it for the whole system.” Many employees experience a loss at first, and might therefore not be open to discover what the new exchange could look like, and what additional opportunities for learning and growth there are to be found in forming a new system.

Part of our intervention in the early phase of an integration is to help people to see the chances and possibilities to influence the new identity in this formative phase, where many elements are still fluid. We also support them to name what is really lost or will not come back, or at least not soon. Research has demonstrated that there is only a limited window to get the new narrative right and to engage the organization in it.

In reviewing the key characteristics of systemic intelligence and the critical competencies to be able to navigate in complexity, we have walked through the four core principles of systemic intelligence. These are the navigational instruments essential to tackle systemic issues and restore an organization to health and flow.

Adapted from Chapter IV "Looking at All Parties with Systemic Intelligence" from our forthcoming book. ■



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