3 Implementing Change

Learning Objectives

After reading this chapter, you should be able to do the following:

1. Describe the importance of implementation in the change process.
2. Identify the nine steps in Ackerman and Anderson's roadmap for change.
3. Identify Cummings and Worley's five dimensions of leading and managing change.
4. Describe the implementation process in terms of the three components of organizational change.
5. Describe the roles of strategy, culture, and processes in implementation.
6. Identify different leadership roles that may be used in the change implementation process.
7. Describe the qualifications of a successful change leader.
8. Describe the role of stakeholders and conflict in implementing change.
9. Define collaboration and its significance to successful implementation.

"Whosoever desires constant success must change his conduct with the times."

—Niccolo Machiavelli

Chapter Outline

3.1 Introduction: Getting from Here to There

Implementing major organizational changes is neither automatic nor mechanical. Transitioning an organization to a new vision and future state is a process, not an event. During any change phase, leaders and change teams guide and shape people's mindsets and behaviors in organizations to adopt new ways of thinking, apply different strategies, reinvigorate the culture, and align internal systems. Leadership skills, intelligence, courage, and a high capacity for collaboration are required. The bottom line is that the success of any organizational change depends in large degree on implementation. According to Warrick, "In the change process, assessment plays an essential role in assessing present realities and future possibilities. Action planning plays a very valuable role in planning changes so that they have a high probability of success. However, implementation would be considered by many OD (organizational development) practitioners as the most important role. If changes are not successfully implemented, the rest of the change process will count for little" (Warrick, 2010, p. 259).

The implementation process begins once the urgency that change must occur is communicated, the organization is assessed for the type of change needed, and a plan is communicated throughout the organization. We begin by showing how CEO Alan Mulally succeeded in turning Ford around; we then present a roadmap that highlights the implementation phases of large-scale changes.

Getting from here to there takes careful planning and implementation. Leadership skills, intelligence, courage, and a high capacity for collaboration are required.

Implementing Positive Change at Ford Motors

Alan Mulally was selected to lead Ford in 2006 after he was bypassed for a promotion at Boeing, where he had worked and expected to become CEO. Insiders and top-level managers at Ford, some of whom also had expected to become CEO, were initially suspicious and then outraged when Mulally was hired. Their sentiment was "What did an airplane guy know about the car business?" (Kiley, 2009). Chairman William Clay Ford Jr.—who chose Mulally—told Ford's officers that the company needed a fresh perspective and a shake up, especially since the firm had lost $14.8 billion in 2008—the most in its 105-year history—and had burned through $21.2 billion, or 61 percent, of its cash (Kiley, 2009). Because Chairman Ford knew that the company's upper echelon culture was closed, bureaucratic, and rejected outsiders and new ways of thinking, he was not surprised by his officers' reactions. Below the C-suite, Ford's managers had no idea that the company was fighting for its life. To succeed, Mulally would need Willam Clay Ford Jr.'s full endorsement and support, and he got it.

Breaking Through the Cultural Silos

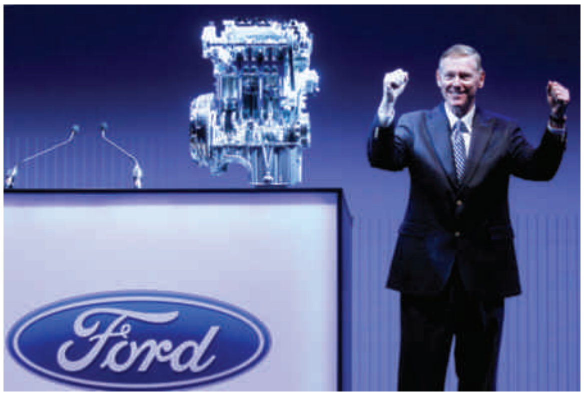
The company's biggest cultural challenge would be to break down the "silos" that different executives had built since each of their careers meant more to them than the company. Silos, as we will discuss more in Chapter 4, is a term used for specific processes or departments in an organization working independently of each other—in separate silos—without strong communication between or among them. A lack of communication can often stifle productivity and innovation, and this was exactly what was happening at Ford. Looking back at Mulally's career at Boeing, he had not always been an inclusive manager. The CEO of Boeing at that time, Phil Condit, had told him that he needed "... to broaden his view to running an entire company rather than just a division ... ." (Kiley, 2009). To that end, Mulally was connected with an executive coach who showed him that he "needed to check in more to let his reports know if they were headed in the right direction." With coaching, Mulally changed his leadership style to open up his blinders and include people in decision making, and thereby started to break down the cultural silos that had been stifling change at Ford for years.

"Way Forward Plan": Getting from Here to There

Mulally devised a turnaround strategy and developed it into the "Way Forward Plan." The plan centralized and modernized plants to handle several models at once, to be sold in several markets. The plan was designed to break up the fiefdoms with isolated cultures whose leaders developed and decided on where to sell cars themselves. Mulally's plan also kept managers in positions for longer periods of time to deepen their expertise and consistency of operations. The manager who ran the Mazda Motor affiliate commented, "I'm going into my fourth year in the same job. I've never had such consistency of purpose before" (Kiley, 2009).

One Team, One Plan, One Goal: Leading and Managing with Performance Data and Information

Mulally's leadership style at Ford "… is a quintessential demonstration of the Mulally method—analyzing a situation using accepted facts and then winning over support through persistence" (Taylor, 2009). Mulally stopped the large number of managers' meetings where maneuvering for power occurred more than performance-based decision making. He has led by his mantra, "One Team, One Plan, One Goal," since his start at Ford. Politicking and power plays among officers were over. Mulally's style and method have also been effective with the unions; negotiations have been tough but realistic.



Alan Mulally's leadership was integral to enacting positive change at Ford.

He also created a constant stream of data where all managers saw weekly reports of Ford's global operations that compared executives' performance against profit targets. Located in the Taurus and Continental rooms near Mulally's office, the walls of the data operation showed color-coded bar charts, graphs, and tables that reflected information on Ford's businesses in South America, Russia, China, and other parts of the world. Red showed divisions that weren't hitting profit projections; those that were on target were displayed in green; yellow meant that performance could go up or down. Updated numbers were validated by pre-earnings quarterly audits. These openly visible charts and graphs created a culture of transparency where no executive could avoid the truth. Mulally said numbers helped executives anticipate issues and adjust strategy (Kiley, 2009).

Thursday Morning Report-Outs

Mulally declared from the start of his stay at Ford, "I am here to save an American and global icon." He was and remains performance driven, just as he was at Boeing. He leads by using his Business Plan Review at his Thursday morning meetings with direct reports.

He stated, "I live for Thursday morning at 8 a.m." Ford's four profit centers: the Americas, Europe, Asia Pacific, and Ford Credit, report out first, followed by presentations from 12 functional areas (which range from product development and manufacturing to human resources and government relations). As Taylor (2009) notes, "… there are no pre-meetings or briefing books." Mullaly stated that he does not ask "… grinding questions to humiliate them." He wants shared information that can produce results in the marketplace. Neither BlackBerrys nor distracting side conversations are allowed at these meetings. Mutual respect is demanded. Mulally removed vice presidents from the meetings "… because they couldn't stop talking because they thought they were so damn important" (Taylor, 2009).

Communicate, Stick to the Plan, Seek to Understand Rather Than to Be Understood

Joe Hinrichs, a manufacturing supervisor, said, "Alan brings infectious energy. This is a person people want to follow" (Taylor, 2009). Mulally's practice of transparency through open and continuous communication with and among all professionals at Ford is based on his insistence that "Everyone has to know the plan, its status, and areas that need special attention" (Taylor, 2009). For example, Mulally is resolute that Ford reduce its dependence on light trucks since gas is costly. He made this clear to the whole organization "… in the bluntest possible language" (Taylor, 2009). Still, Mulally's openness has gained him support across the company, even with his candor and straightforwardness.

Results

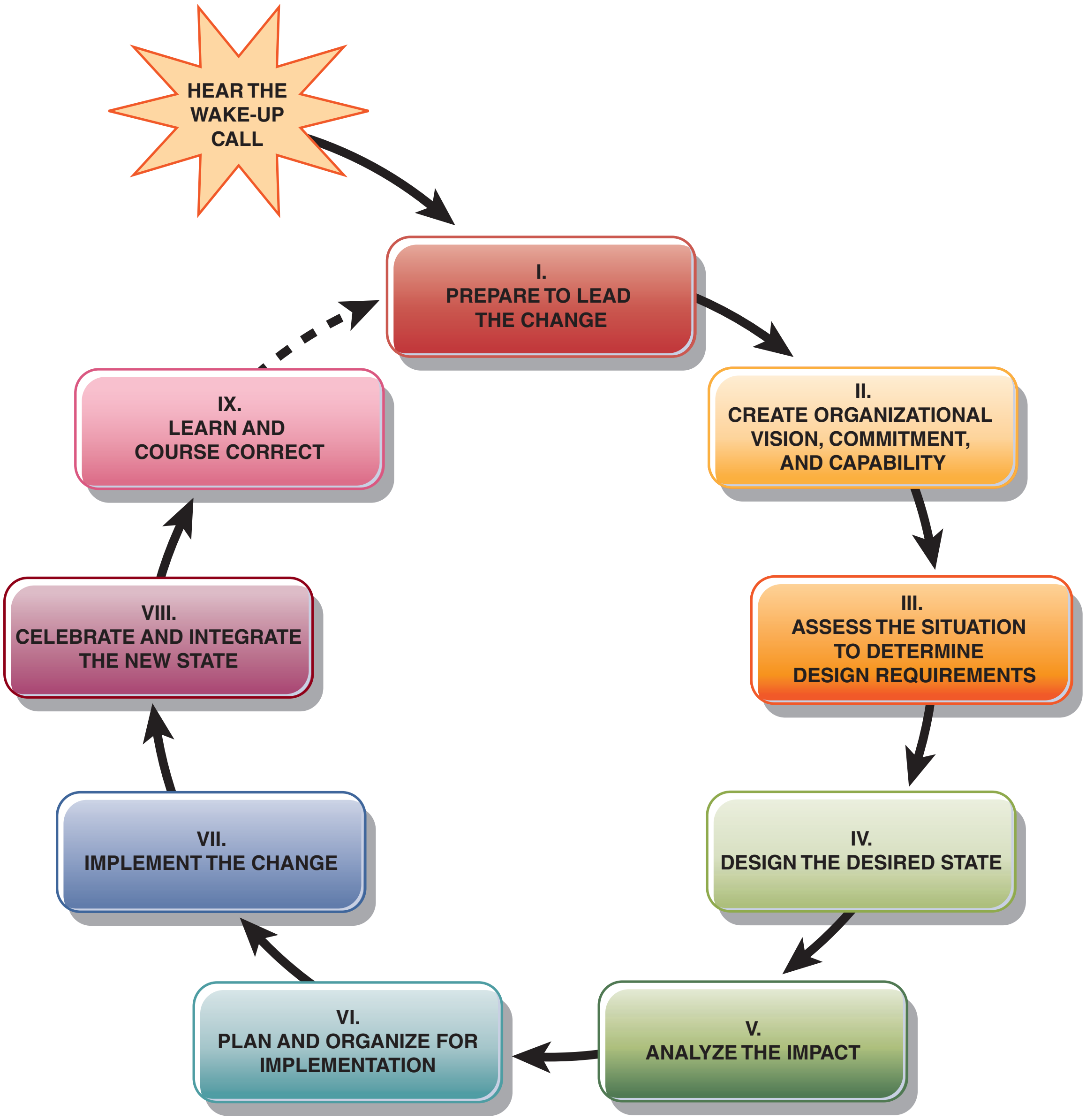
"Team Mulally," as the CEO and his followers have been called, have succeeded in turning "a very sick company" around (Kiley, 2009). But the firm never took a government bailout as did the other U.S. auto companies. And in June 2011, Mulally launched an aggressive strategy to increase worldwide sales to 8 million vehicles a year, up from 5.3 million, by the middle of this decade (Mulally, 2011).

Ford and General Motors (GM) posted strong years in 2010. In July 2011, Ford sales increased 6.1 percent and passed Toyota as the number two car seller in the United States in 2010 when sales grew by 15.2 percent (The New York Times, 2011). Industry analysts also project that Ford's 42,000 union workers would receive profit-sharing checks of $5,000, based on Ford's performance that year in the North American market. This would be the highest payout since the $8,000 checks the company issued in 2000 (The New York Times, 2011). In 2011 Mulally received almost $100 million in Ford's stock for rescuing the company from a potential bankruptcy (Dominguez, 2011).

Roadmap for Change

Corporations and organizations that embark on large complicated changes, as Ford Motors did and continues to do, depend on a roadmap from which other plans are generated. In Chapter 2 we discussed two such roadmaps: Kotter's eight-step method and Cooperrider's four dimensions in appreciative inquiry. Here we discuss another roadmap that overlaps with the previous two. Figure 3.1 provides distinct implementation phases that combine learning from all the steps to help leaders move to their desired destinations.

Figure 3.1: Roadmap for change



Source: Ackerman Anderson, L. & Anderson, D. (2001). Awake at the wheel: Moving beyond change management to conscious change leadership. OD Practitioner 33*(3), 46. Retrieved from http://www.beingfirst.com/changeresources/articles/A001/A001Awake.pdf*

The change process model offers a roadmap without dictating the roads to take by helping leaders reach their future state (Ackerman Anderson & Anderson, 2010, pp. 22–23). However, leaders must decide the paths they will take based on their individual circumstances. In this regard, this roadmap can be used as a "thinking discipline" rather than a prescribed way of forcing an organization's behavior into a forced plan and timeline. Used this way, leaders can flexibly navigate the organizational, technical, human, and cultural dimensions of their end-to-end change process as they proceed.

Even with this process model, transformational changes tend to have "a life of their own," according to Ackerman and Anderson. Since both the change process and outcome emerge and evolve, that is, both process and outcome evolve unexpectedly and sometimes as a new or even better development than predicted (Ackerman Anderson & Anderson, 2010, pp. 243–250).

Leaders generally launch a planned change without knowing exactly where they are going even though they have described a clear end or future state. This is the case because markets, the economy, people, and many other factors are constantly changing. Still, leaders "… must let go of the old trapeze before the next one is in sight" (pp. 318–322). Any implementation plan is only as sound and reliable as the change strategy and all the other variables that enable the plan are consciously and conscientiously enacted. A "heightened commitment and excitement" combined with the "collective intelligence" (pp. 318–322) of key decision makers throughout the organization are also essential requirements for the success of transformational changes. Still, leaders of transformational changes use roadmaps and plans to help guide their implementation.

Mulally's example as a change leader reflects many of the phases presented in Figure 3.1. While we discussed phases I through IV of this figure in the first two chapters, it is helpful to briefly summarize some of these phases, giving particular attention to the implementation process. It is also important to state here that all phases in any change roadmap are in some way related to, and in preparation for, the implementation of the change. In fact, the success of an implementation depends on how effectively the previous stages were developed and carried out.

Planning and implementing a large organizational change is, in practice, not a linear or mechanical process. As we said at the start, change is not an event, it's a process. Some phases loop back to previous ones as surprises and emergent changes occur. We refer to examples from Mulally's turnaround change at Ford in this discussion.

The Wake-Up Call: Preparing to Lead the Change

According to Ackerman and Anderson (2010, p. 27), leaders generally embark on a change effort from a wake-up call. In Ford Motor's turnaround, it was Chairman William Clay Ford Jr. who got that call as he observed the stock, cash, and competitiveness of the company tumble. He called Mulally to lead the charge to change because the officers in the company were not moved to take urgent action.

Mulally's mission was, then, to turn Ford Motors around. Preparing to lead the change, he began by learning the reality of the situation, studying the facts, numbers, and details, and then began to create a case for the change while identifying the desired outcomes. He also, according to Ackerman and Anderson, was building his capability to lead the change, which required examining and ensuring that he had the relevant skill sets, expertise, and experience to lead the change. Because he had been coached and learned how to deal with enterprise-wide change while at Boeing, Mulally seemed ready for the tasks. He also was charged with clarifying an overall change strategy and creating an infrastructure with the conditions to support the change effort. In this regard, he devised a turnaround strategy, the "Way Forward Plan" that centralized and modernized plants to handle several models at once and that sold vehicles in several markets.

Creating Vision, Commitment, and Capability

Mulally's overall vision was to return Ford to its preeminent status in the global auto industry. He stated, as quoted earlier, "I am here to save an American and global icon." His commitment and persistence were evident in his statement that he "expects the very best of himself and others, seeks to understand rather than to be understood." And, as Bill Ford said about him, "Alan is not a very complicated person. He is very driven" (Taylor, 2009).

Mulally built the necessary capability by reorienting the top-level global officers and 12 functional area managers to the company's long-term goals and short-term operating objectives. He ensured this alignment, as stated earlier, by providing ". . . a constant stream of data where all managers saw weekly reports of Ford's global operations that compared executives' performance against profit targets."

Assessing the Situation: Determine Design Requirements and Desired State and Analyze the Impact

Mulally never stopped assessing Ford's situation, that is, its financial position, sales, and marketing status and capabilities in relation to global competitors, and with regard to his vision to get Ford back to the top of the industry. In the turnaround described in the opening scenarios, Mulally's "One Team, One Plan, One Goal" was the road to his desired state of seeing Ford as the top global competitor in as many vehicles as possible. While he depended on his managers' input to help determine design requirements of vehicles based on customer demand, as leader he ensured that the culture of the company would not return to the splintered state of bickering and isolated control based on different officers' preferences.

In more stable planned changes, it may be easier to analyze the impact of a change, as Ackerman and Anderson (2010) suggest. In turnarounds like Ford's situation, Mulally's method reflected a more continuous examination of the ongoing impact of his changes. His use of continually changing data, information, and analysis, interpreted at the Thursday morning meetings, was the basis for analyzing the impact of Mulally's vision, goal, and operational systems globally.

Plan, Organize, and Implement the Change

Mulally's plan centered on the implementation of his "One Goal, One Plan, One Team" mantra. Simply, that plan was, "Focus on the Ford brand ('nobody buys a house of brands'); compete in every market segment with carefully defined products (small, medium, and large; cars, utilities, and trucks); market fewer nameplates (40 worldwide by 2013, down from 97 worldwide in 2006); and become best in class in quality, fuel efficiency, safety, and value" (Taylor, 2009). Easier said than done. As Mulally said when he first arrived at Ford, "It's the toughest environment I've ever seen. But we will make it through if we stick to the plan" (Taylor, 2009).

Implementing this plan and change required the preparation of all the phases discussed above. In the roadmap shown in Figure 3.1, implementation occurred after the preparation of the organization to support the implementation was made, based on the development of the master implementation plan (Taylor, 2009). Because Mulally had Bill Ford's and the Board of Directors' support, and because Mulally painstakingly prepared himself with the financial, organizational, cultural, and operational detail, he knew he was ready to implement.

It is very important to state that Mulally had also met and debriefed the officers, managers, and many employees at Ford before and while planning the change. Mulally had also met several times with Bill Ford and discussed Ford's situation before accepting the job. It all seemed to "pay off." As Joe Hinrichs, a manufacturing supervisor, said, "Alan brings infectious energy. This is a person people want to follow" (Taylor, 2009). Mulally's practice and insistence on transparency through open and continuous communication with and among all professionals at Ford was based on his insistence that "Everyone has to know the plan, its status, and areas that need special attention" (Taylor, 2009). So, while the change was not easy, neither was it impossible or unrealistic. Mulally was ready and had used a roadmap and a plan as well as his intuition, discipline, and confidence.

The results and aftermath of the change have proven successful to date, as shown in Ford's financials and Mulally's 2011 stock bonus. Mulally and Ford Motors have "Celebrated and Integrated the New Change" as phase VIII in Figure 3.1 shows. Moreover, the road ahead may prove even more challenging as Mulally and Ford continue the journey through phase IX: "Learn and Course Correct." The remainder of this chapter discusses in more detail how other planned changes are implemented.

Managing Change

Mapping the Road for Change

You are a member of the C-Suite at a multinational corporation. After a period of stable albeit slow growth, you begin to notice changes in output. The 40-year reputation of the company is at stake, as are the jobs of your employees. In order to prevent a downward spiral that would result in layoffs and possibly plant closings, a change must be made.

Developments of concern may include customer complaints, faulty supplies that prompt a recall, and plummeting revenue. In the interim, a short-term survival plan is in place to sustain the company until the problems are reversed, but you and other members of the C-Suite are meeting to discuss an overall change in the way you do business. It is crucial to evolve with the markets and be attuned to changes in the business environment, but this change is more than that. When warning signals like these are received, it is necessary to steer the company in the right direction to avoid costly pitfalls that may threaten the prosperity of the company in the long run.

The change process model in Figure 3.1 is called upon to formulate the plan. The input of C-Suite members and unit managers is an integral part in the initial planning. Leadership recognizes that careful mapping must take place for the change to take hold and truly transform the company.

1. In general, when embarking on transformational change, what considerations do you need to keep in mind as a leader to get the company to the desired state?
2. What is the impetus for change and what tools are necessary to move forward?
3. What are the principles of implementing a change?
4. How important are the members of your workforce in a change implementation and how do you utilize their efforts?

(See page 218 for possible answers)

3.2 Implementing Change Through Leading and Mobilizing

Implementing change is an art and a science. Not all leaders and CEOs, like Mulally at Ford, who leave one industry to change a company in another, succeed. In fact, there is a mixed track record when this occurs. As discussed in Chapter 2, John Sculley from Pepsi, who was chosen by Apple's board of directors to take over as CEO from Steve Jobs, failed in that capacity as did two successors after him before Jobs returned. "Some come with a big bang approach and impose a directive style on a corporate culture—e.g. Robert Nardelli did at Home Depot with such mixed results that the board pushed him out. Some are unsuited to running an unfamiliar business. Former S.C. Johnson CEO William Perez's 13-month stint at Nike . . . comes to mind. Others tread more softly and succeed, like Eric Schmidt, the former Novell guy who ran Google" (Kiley, 2009). We begin this section with the example of a change master, ex-CEO Larry Bossidy, who came from GE to successfully turn around Allied Signal, which later became Honeywell.

Allied Signal/Honeywell and Larry Bossidy

Bossidy took over as the chairman and CEO of AlliedSignal, Inc. in 1991. "The Bossidy Era" spanned from 1992 to the early 2000s. The company began as Allied Chemical & Dye Corporation in 1920 before becoming AlliedSignal, Inc., following the acquisition of Signal Companies, Inc. in 1985 (International Directory of Company Histories, 1998). As a large industrial corporation, it was a player in many industries, including aerospace, chemicals, fibers, automotive parts, plastics, and other advanced materials (International Directory of Company Histories, 1998). AlliedSignal, Inc. later became Honeywell International, Inc. from a 1999 merger, and ranks number 81 on the Fortune 500 listing with revenues of more than $33 billion (CNNMoney.com, 2011). Looking back, the vision of AlliedSignal, Inc. was to "be one of the world's premier companies, distinctive and successful in everything we do" (International Directory of Company Histories, 1998). This success was largely due to the strategy and vision of the hard-driving former CEO, Larry Bossidy.

Larry Bossidy (right) shakes hands with Michael R. Bonsignore, chairman and chief executive of Honeywell, after the 1999 merger between the two companies.

"The Bossidy Era" was distinctive for its quick and ruthless but effective change (International Directory of Company Histories, 1998). Bossidy came from the electronics and electrical equipment industry, spending the majority of his 34 distinguished years at GE. His leadership positions included COO of the GE Credit Corporation (aka GE Capital), executive vice-president and president of the company's Services and Materials Sector, and as vice chairman and executive officer of GE (CNBC.com, 2011). After coming to a new industry and successfully mobilizing change, he is credited with transforming AlliedSignal, Inc. into one of the world's most admired companies. He achieved "31 consecutive quarters of EPS growth of 13% or more and an eight-fold appreciation of the company's share price" (CNBC.com, 2011).

Despite his tough methods and company drive, he was well-respected and even named CEO of the year by *Financial World* magazine in 1994 and Chief Executive of the Year by *CEO Magazine* in 1998 (CNBC.com, 2011). Bossidy was a man who knew where he wanted AlliedSignal to go and how he wanted to get there. He knew that significant changes would be necessary and wasn't afraid to make them.

Housecleaning

Bossidy's first move at Allied Signal was to clean house, which he did by reducing the number of employees from 98,300 in 1991 to 76,700 by 1996 (International Directory of Company Histories, 1998). He saw that the company was internally focused and too crippled by ineffective organization—they were "centralizing paper and decentralizing people," so Bossidy set out to fix it (Tichy & Charan, 1995).

"Headlines about Bossidy in the popular press stated 'Larry Bossidy won't stop pushing' and 'Tough guy'—and they were right" (Lobel, 2000, p. 1). This wasn't just some heartless tactic, though. Bossidy was known for valuing hard work and rewarding those who demonstrated it. He reportedly said that he expected involvement, ideas, collaboration, leadership, development, drive, anticipation, growth, and adaptability from every one of his direct reports (Bossidy, 2007, pp. 60–62). He used these expectations as guidelines when implementing change. He didn't stop after he trimmed down the labor force. He cleaned up unprofitable operations, sold off many small but also some significant business units, and cut capital spending. Corporate culture was the hardest to clean, but Bossidy's approach created a team-oriented, less bureaucratic culture heavily focused on performance (Lobel, 2000).

A "Churn and Burn" Culture: The Bossidy Way

Larry Bossidy's high expectations were reflected in that he demanded from AlliedSignal employees what he demanded of himself: results-oriented high yields, quality, and no-nonsense execution. This message was clearly communicated and incorporated into the company culture. "For 1999, Bossidy's strategic goals were growth, continuous employee learning, and a focus on quality with Six Sigma tools" (Lobel, 2000, p. 3). He worked toward these goals by stretching each employee to his or her potential. For better and worse, this often translated into long days and stressing demands.

Bossidy was quoted as saying, "Meetings start at 7 a.m. and run until 6 p.m. It's hard to get stuff done around other times. After weeks of meetings, you have a pile of stuff on your desk and people think you've been on vacation" (Lobel, 2000, p. 4). The culture was challenging, but attracted employees who thrived in that type of performance-driven environment. "They knew that if we didn't make our numbers, they would be the ones in trouble. I didn't need to pound on them. These are people who pounded on themselves for the most part" [verbs changed to past tense], noted Sandra Beach Lin, the then vice-president and general manager of the Specialty Wax and Additive group (Lobel, 2001).

A Dramatic New Structure

Bossidy's new vision required a dramatic new structure. Tichy and Charan stated that Bossidy was willing to make bold moves on the battlefield. As Bossidy put it, "I don't want to have to come back a year from now and restructure all over again. If we're going to take a charge, I want to take a big one" (Tichy & Charan, 1995). In October 1997, AlliedSignal "announced a restructuring whereby its three-sector structure was replaced by one consisting of 11 business units" (International Directory of Company Histories, 1998). The Aerospace sector became Turbocharging Systems, Engines, Aerospace Equipment Systems, Electronics and Avionics Systems, Aerospace Marketing Sales & Service, and Federal Manufacturing & Technologies. The Automotive sector became Automotive Products Group and Truck Brake Systems. Finally, the Engineered Materials sector became Specialty Chemicals, Polymers, and Electronic Materials. This was no small change. It eliminated an entire layer of management. Bossidy gave a press release, saying that each new unit, "is a significant factor in its market and has global reach, world-class talent, and the critical mass to operate autonomously. Removing the sector layer will enable these businesses to make faster decisions and serve customers with greater speed, flexibility, and cost effectiveness" (International Directory, 1998).

The Key: Goal Deployment

Lobel (2001) wrote that "since becoming CEO in 1991, Bossidy has opened each new year with strategic goals that serve as the foundation for the *goal deployment* process." All employee goals were linked to those of the enterprise. Before Bossidy could implement any of these transformations, he understood that the company had to be united in vision and values. He started at the top with an off-site meeting for the top 12 company managers. They agreed on seven values: "customers, integrity, people, teamwork, speed, innovation, and performance" (Tichy & Charan, 1995). Employees at all levels then set goals with these same seven values guiding their planning. The goals were deployed through what was referred to as *Total Quality (TQ)*. AlliedSignal "made a major commitment to use total quality as the vehicle to drive change . . . anybody who makes his numbers and says, 'I don't need TQ,' has to walk the plank or change. Some people have changed, and some are gone" (Tichy & Charan, 1995).

Coach Larry Bossidy

Bossidy's results-driven culture was also people-oriented. As he said, "I don't think you change a culture. I think you coach people to win" (Tichy & Charan, 1995). Bossidy's coaching allowed employees at all levels to set goals and understand that those goals would be stretched to result in maximum performance. That type of culture was a significant success factor in implementing the dramatic changes made during the "Bossidy Era."

Bossidy talked to employees and practiced what management writer Tom Peters called *MBWA*, management by walking around. Coaches are not very effective without good two-way communication, so in his first two months as CEO of AlliedSignal, he talked to about 5,000 employees across the country at all levels. Talking to people was Bossidy's main form of coaching. He hosted "smaller, skip-level lunches, where [he] met with groups of about 20 employees without name tags and without their bosses" (Tichy &

Charan, 1995). He was intentional about creating interactive settings and using surveys. “The idea of getting some support from the bottom is powerful. It gets the people in the middle on the horse faster” (Tichy & Charan, 1995).

Communication is not the end-all, be-all to coaching people to win. Successful change leaders like Larry Bossidy also provide support. As Bossidy astutely recognizes,

> The day when you could yell and scream and beat people into good performance is over. Today you have to appeal to them by helping them see how they can get from here to there, by establishing some credibility, and by giving them some reason and some help to get there. Do all those things, and they’ll knock down doors. (Tichy & Charan, 1995)

By coaching his employees to win, Bossidy’s increased influence with people supported his influence in both strategy and operations. “Today, managers add value by brokering with people, not by presiding over empires” (Tichy & Charan, 1995). That is what Larry Bossidy did at AlliedSignal, Inc.—he brokered with those still at the company to transform it.

Implementation often fails when

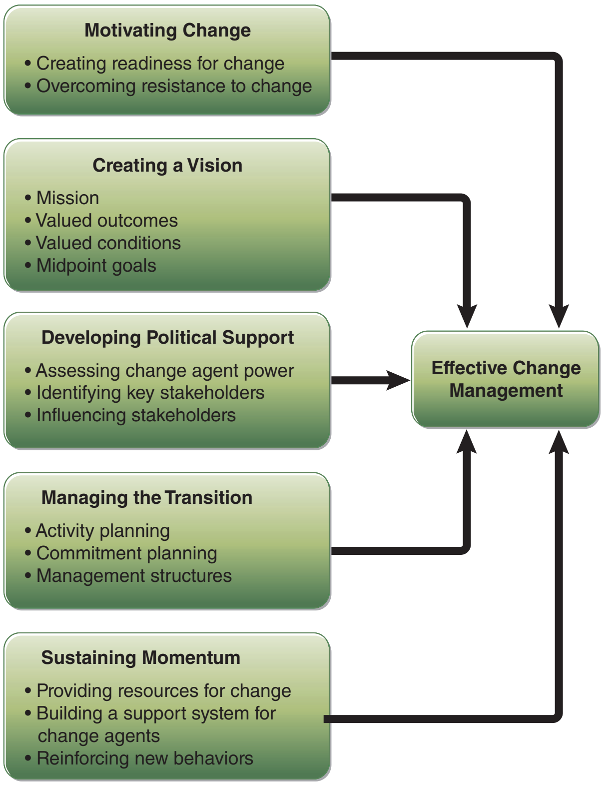
> . . . practicing executives, managers and supervisors do not have practical, yet theoretically sound, models to guide their actions during implementation. Without adequate models, they try to implement strategies without a good understanding of the multiple factors that must be addressed, often simultaneously, to make implementation work. (Okumus, 2003, p. 871)

There many factors necessary for effectively leading and managing large organizational changes; having a plan and model are certainly two. Below are other factors advocated by experts and studies in the field and illustrated by Bossidy at AlliedSignal.

Five Dimensions of Leading and Managing Change

Larry Bossidy embodied elements of many implementation models of organizational change, including Cummings and Worley’s (2001) five dimensions of leading and managing change depicted in Figure 3.2. Those dimensions include: motivating change, creating a vision, developing political support, managing the transition, and sustaining momentum. Because we discuss the dimensions of developing political support in Section 3.5 of this chapter and present strategies for sustaining change in Chapter 5, we will focus here on motivating change, creating a vision, and managing the transition.

Figure 3.2: Five dimensions of change leadership and management



Source: From Cummings/Worley. Essentials of Organization Development and Change, *1E.*
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Warrick's (2010) six-step change implementation process will also be discussed within the context of Cummings and Worley's model. Warrick's steps include the following:

1. Keep the big picture in mind.
2. Choose the right interventions.
3. Use a sound change model to plan and manage the change process.
4. Keep people engaged and make the incentive for change greater than the incentive to stay the same.
5. Identify and manage resistance to change.
6. Follow through and learn from the process. (Warrick, 2010, pp. 259–260)

Motivating Change

Bossidy was a master at motivating change by creating readiness and overcoming resistance, as noted in Figure 3.2. He came to AlliedSignal with a vision that required significant change. His approach to motivating change involved intense and widespread communication with everyone to avoid as much resistance as possible. Most resistance, according to Warrick (2010, p. 265), is "for perfectly logical reasons: most changes are not successful, the reasons for change are not made clear, the leaders are not vested in making the change succeed . . . ." Leaders need to identify the specific reasons why change is resisted and respond accordingly. Bossidy succeeded in preventing some resistance by keeping the big picture and his vision in mind while dealing with the reality of the situation at AlliedSignal.

Two-way actions and communications must also take place to set an organizational tone regarding change and be continually updated as progress is made. Stakeholders need to know what the change is, why it is happening, what has been accomplished so far, how their efforts contribute, and when the change will be completed. Bossidy talked to 5,000 leaders before even implementing the change, and then hosted small lunches with employees to evaluate the change process as it was taking place. He gained the respect of employees through good communication. Leaders must gain the respect of the organization when leading change, and when resistance is persistent and/or unwarranted, leaders must take corrective action before change efforts are negatively affected (Warrick, 2010).

Creating a Vision

As we saw with Mulally at Ford, leading change also requires vision—a big-picture view framed by the goals of the organization and assessment of past, current, and future conditions. The change process is dynamic and must be informed by the larger vision and values of the organization. Bossidy's vision was to make AlliedSignal a distinctive, successful, premier global company. This vision informed every decision and communication he made. He saw where AlliedSignal could go and took the time to understand how it would get there. He had not only a big-picture view, but a systems-level understanding. The organization, as a whole, is a system comprised of many parts interacting with one another. "It is important to understand that a change in one part of the organization may affect other parts of the organization . . . or that a structural change may also result in a cultural change" (Warrick, 2010, p. 81).

Developing Political Support

Although we discuss the importance of developing political support in Section 3.5 of this chapter, we note here that Bossidy took into account his company's political environment in relation to change and responded accordingly. He understood the importance of internal politics in implementing change. To Bossidy, AlliedSignal executives were important stakeholders, and he took action to influence them through goals and performance measures. For example, when two marketing and sales executives could not get along and were not acting in alignment with the vision, Bossidy fired them and had a guard escort them out. He understood that negative political dynamics were hindering change and company performance. The two were hired back at 3 p.m. that afternoon, after convincing Bossidy that they would be able to work well together despite their differences. Bossidy gave them a second chance and the lesson was learned (Bossidy, 2007, p. 61).

Managing the Transition

Interventions must be designed and implemented in both motivating and managing the transition. Bossidy began his change process at AlliedSignal with several "big bang" interventions. He cut 21,600 employees; sold off business units; cut capital spending; restructured from 3 to 11 sectors; and eliminated an entire layer of management. He was not afraid of large-scale change and knew that was what was needed to move

AlliedSignal toward the vision. These interventions were not implemented prematurely or without adequate planning. Planning is a key responsibility of leaders when motivating change and managing the transition. Activities can be combined with planning in some instances, and leaders must be careful not to incur misdirected or unnecessary efforts at any level of the organization.

Warrick (2010) also stated that using a sound change model to plan and manage the change process increases the effectiveness of implementation. Whether Bossidy explicitly followed Warrick's proposed steps or not, it is clear that he used them all from the evidence in the change he led at AlliedSignal/Honeywell. Bossidy stated, "I think what you need is a little book with a road map, with identification of obstacles you have to overcome to achieve the desired result, and it's something that's consulted frequently" (Colvin and Bossidy, 1997).

He also employed elements from the change roadmaps presented earlier in this text. For example, he created a sense of urgency for change (Kotter, 1996) through his decisiveness and timeliness. "People should expect me to make decisions as soon as I have the information I need, and not to be careless or impetuous, but to give clear, unambiguous answers" (Bossidy, 2007, p. 64). As soon as he took over AlliedSignal in 1991, Bossidy began gathering all the information he needed and make quick decisions to eliminate jobs and restructure from 3 to 11 sectors. Urgency was created as employees saw swift action and follow-through happening.

Bossidy was decisive; there was no honeymoon period while the company considered change. As soon as he had the plan and information to support it, change started happening. He used a guiding dominant coalition to implement his change strategy (Kotter, 1996). Bossidy knew he needed a strong management team to implement the change he wanted. He spent "between 30% and 40% of [his] day for the first two years hiring and developing leaders" (Bossidy, 2001, p. 47). With his "hands-on hiring," Bossidy was hand-picking a coalition to share his vision and help him implement change at AlliedSignal (p. 48). And he generated "short wins" (Kotter, 1996) to bolster and add support to the implementation process by "zeroing in on precisely the parts of the business that need attention and leaving the rest alone" (Bossidy & Charan, 2009). In just five years, Bossidy's changes increased the company's return on sales to 7.3 percent and reduced long-term debt to only 22 percent of total capital (International Directory of Company Histories, 1998). Communication and strongly enforced goals allowed the AlliedSignal team to work quickly in implementing change.

Feedback was another critical success factor in leading and managing the transition at AlliedSignal. "It is not uncommon for changes to not be working and for those who initiated or are managing the change to be unaware of how the changes that made such good sense to them are being experienced" (International Directory of Company Histories, 1998). Change is handled best by organizations with an orientation toward learning, and feedback is the most direct and continuous way to learn about change within the organization. Feedback on the change process will provide leaders with useful information about what is and isn't working and ideas for improvements or efficiencies.

Feedback can be gathered using many unique methods. Common methods include: surveys, interviews, employees responsible solely for monitoring change, and the use of teams. Bossidy used his continuous communication process not only to gather new information and get a sense of how the change affected people, but he also gave and received feedback to his team and employees about the change and their performance. He gave "frequent, specific, and immediate feedback … if I [Bossidy] can say something sensitively and diplomatically, so much the better. But if I can't, I owe it to my employee to say it anyway" (Bossidy, 2007, p. 65). Feedback keeps mobilization a dynamic, living process and, when done well, orients the organization toward learning.

Sustaining Momentum

While managing and mobilizing change, employees must also be engaged and involved. "Leaders get busy and preoccupied with other tasks, key players often have too much on their plates to stay focused and carry out their responsibilities, and changes in leadership can present major obstacles to keeping changes alive" (Warrick, 2010, p. 264). It takes a concerted effort to provide the needed resources for sustaining change and reinforcing new behaviors. Communication is an important tool when building support systems and providing a unified and complete understanding of the vision. Bossidy created a demanding environment, but also provided many outlets for communication and feedback (concerns, ideas, feedback, plans, goals, and performance). His expectations with regard to employees' performance and responsibilities were made very clear. Bossidy later became known in management literature as a leader who excelled at execution, which involved engaging and involving employees (Bossidy & Charan, 2002).

However, it is also important to note, with regard to creating incentives for change, that "The reality is that many if not most changes are only designed to benefit the organization and often simply translate to more work and no benefits for those involved in or affected by the change" (Warrick, 2010, p. 265). On this point, Bossidy was not proficient for providing incentives for change as much as he emphasized the achievement of goals. His "incentive" was that employees would likely be fired if they didn't meet the performance goal. This type of culture worked at AlliedSignal because employees attracted to the company were those who were looking for this type of environment; however, this performance-driven method does not often result in the best change. It also requires more oversight and time when creating all these goals.

Despite the harsh performance-driven culture, Bossidy was successful in always following through on the process of the change initiative. He sustained momentum through the significant organizational changes he made. "It takes considerable discipline and perseverance to assure that changes succeed and will last, and considerable persuading of the leaders to stay with the process until the desired goals are achieved" (2002, p. 266). Successful implementation "energizes people, results in needed changes, and produces confidence in the change process" (p. 267).

3.3 Strengthening Alignment with the New Vision and Future State

Daryl Conner, organizational change expert, stated in his book, *Managing at the Speed of Change* (2006, p. 286), "We've learned from today's winners that once they've made their decisions about what must be done, achieving the full value of their critical endeavors requires an integrated effort to merge three components [of organizational change]—intent, people, and delivery." *Intent* involves "… creating a clear, shared vision of the desired final outcome and protecting its integrity as it is translated into reality" (p. 286). *People* refers to dealing with the human aspects of change—"fostering commitment, minimizing resistance, aligning culture and building synergy" (p. 286). *Delivery* deals with setting up "… governance, managing interdependencies, reporting progress, and prioritizing and allocating resources" (p. 286). When all three components are combined to lead and manage change initiatives, the probability of adding full value to the process and outcomes is higher.

Conner noted that the issue in integrating these three components in organizational change is that each one deals with a separate specialized area. So, when a pressing project or goal is being pursued, rarely are the three areas dealt with at the same time. From this reasoning, Conner stated that he discovered the importance of *strategy execution*, that is, combining the components of intent, people, and delivery to increase the probability of change initiatives' success (Connor, 2006).

Another way of viewing how planned organizational change combines intent, people, and delivery—which includes implementation—is through the need to *align* the major dimensions of vision, strategy, culture/people, and processes that were discussed earlier in Chapters 1 and 2. At the implementation stage of organizational change, aligning these dimensions involves redirecting the activities of leaders, managers, and professionals to the new vision and future state of a transformational change in particular.

Leadership: Aligning People and Culture to the New Vision and Strategy

Aligning the organization to a new vision and strategy begins at the leadership level. Leaders like Larry Bossidy of AlliedSignal, Inc. and Alan Mulally of Ford transformed their companies through dramatic vision and cultural alignment to that vision. Author Jim Collins noted the distinction among values, vision, and operations: "Timeless core values should never change; operating practices and cultural norms should never stop changing" (Collins, 2000).

Before a leader can align the people and culture with the vision, she or he must distinguish between what should change and what should not change. An organization's **vision**, according to Collins, is "a combination of three elements: (1) an organization's fundamental reason for existence beyond just making money (often called its mission or purpose), (2) its timeless unchanging core values, and (3) huge and audacious—but ultimately achievable—aspirations for its own future . . . . Of these, the most important to great, enduring organizations are its core values" (Collins, 2000). Strong core values give leaders the platform for vision and change.

First Leadership and Vision, Then Strategy, Culture, and Processes

Selecting leaders who can align the right vision and strategy to an organization's industry environment, and then ensuring that the culture and other organizational dimensions are all working together toward common goals is essential to effective change. Because new or different CEOs and leaders are chosen to identify a new vision and select an effective strategy for a failing or faltering organization, the stakes are high in this area for

Implementing effective change takes strong leadership and vision to know how to navigate bumps in the road as well as smoother patches, and possible storms that may loom on the horizon.

the leader. This is especially important during the implementation of a sizable change because alignment helps to "preserve an organization's core values, to reinforce its purpose, and to stimulate continued progress towards its aspirations. With strong alignment, a visitor could drop into your organization from another planet and infer the vision without having to read it on paper" (Collins, 2000). Mulally and Bossidy were strong change champions in achieving strategic organizational alignment in their planned changes.

A case of a leader whose strategies were not accepted by the board of directors is the recent example of Hewlett-Packard's (HP) former CEO Leo Apotheker, who suddenly announced to the tech world in August 2011 that HP was spinning off its personal computer (PC) division and business—in which HP is one of the world's leading manufacturers (Taylor, 2011). Debate in the industry and at HP ensued. Meg Whitman, former CEO of eBay was hired to replace Apotheker and his strategy. Shortly after she came aboard, Whitman announced that the PC division is "right for customers and partners, right for shareholders, and right for employees" (Taylor, 2011). An excerpt from HP's formal statement on the strategy change stated:

> The strategic review involved subject matter experts from across the businesses and functions. The data-driven evaluation revealed the depth of the integration that has occurred across key operations such as supply chain, IT and procurement . . . . Finally, it also showed that the cost to recreate these in a standalone company outweighed any benefits of separation. (Taylor, 2011)

Aligning to Strategy

After a new strategy has been selected by the CEO or leader and the top level, implementing an enterprise or transformational strategy generally requires a shift in the organization's culture, values, structure, roles, skills, and processes. In the HP example above, it appeared that the proposed strategy change would not add to the competitiveness of the company, and that it would be detrimental to HP's culture and stakeholders.

For example, another excerpt from HP's statement to the press noted, "The outcome of this exercise [i.e., keeping the PC division and business] reaffirms HP's model and the value for its customers and shareholders. PSG [Personal Systems Group] is a key component of HP's strategy to deliver higher value, lasting relationships with consumers, small- and medium-sized businesses and enterprise customers" (Taylor, 2011).

Note, in contrast, that Mulally at Ford achieved alignment through his "One Team, One Plan, One Goal" mantra, which was embodied in the strategy of the "Way Forward Plan," discussed earlier. He insisted on transparency and communication, so that the vision was clear and supported by the entire organization. The 3M Corporation offers a similar example as Mulally's experience.

Leaders at the legendary 3M Corporation were also able to create alignment because of clear and enduring core values, a strong vision, and their ability to create opportunities to put them into action (Collins, 2000). 3M's corporate values include:

> acting with uncompromising honesty and integrity in everything we do; satisfying our customers with innovative technology and superior quality, value and service; providing our investors an attractive return through sustainable, global growth; respecting our social and physical environment around the world; valuing and developing our employees' diverse talents, initiative and leadership; and earning the admiration of all those associated with 3M worldwide. (Solutions.3M, 2011)

All aspects of the company and its operations are in alignment with these values. It has worked hard to create a culture based on excellence and innovation—again, aligned with its core values.

At 3M, scientists have been permitted to spend 15 percent of their time on projects of personal interest. A similar practice exists at Google. As 3M leaders see it, creativity allows for innovation and progress and is an important way of aligning employees and their efforts to the vision. 3M also requires that 30 percent of division revenue come from new products. The company supports new ideas through an internal venture capital fund, provides a dual career track, and gives entrepreneurial and innovation awards (Collins, 2000). Through its actions, 3M leaders make clear the vision and strategies of the company. Action is the primary means of alignment.

When aligning people with the vision, leaders should consider nonfinancial incentives as well as financial incentives. "For people with satisfactory salaries, some nonfinancial motivators are more effective than extra cash in building long-term employee engagement in most sectors, job junctions, and business contexts" (Dewhurst, Guthridge, & Mohr, 2009). Part of aligning people to the vision is motivating and keeping them engaged. Change results from and produces many unknowns. Employee morale can be improved by providing "praise from immediate managers, leadership attention (for example, one-on-one conversations), and a chance to lead projects or task forces" (Dewhurst, Guthridge, & Mohr). Businesses, particularly in this environment of continuous change, "need engaged leaders and other employees willing to go above and beyond expectations" (Dewhurst, Guthridge, & Mohr). Engagement and alignment comes from good communication and motivation. As we've seen with Ford, CEO Mulally had a well-communicated plan that he consistently followed. This created some sense of stability, making the change seem more manageable, and engaging employees through alignment with the vision.

Transitioning Cultures

A challenge with alignment presents itself when a fundamental culture shift is needed to achieve the new vision. "Employee distraction and demoralization" can impede cultural changes and result in negative, counterproductive energy within the organization

(Ghislanzoni, Heidari-Robinson, & Jermiin, 2010). Canada's Bombardier faced such a cultural transition in the early 2000s. Pierre Beaudoin, CEO and president since 2008, had quite a job. To change the culture, Beaudoin had to make a shift from hard goals to soft goals and find a way to champion change. "The transformation changed Bombardier from a company driven by engineering and manufacturing goals, with deep cultural divisions, to one focused on customers, an engaged workforce, and continuous improvement" (Simpson, 2011). Bombardier was affected by the aerospace recession following 9/11, but the company also made a significant acquisition of railway transportation company Adtranz from DaimlerChrysler in the same year. The company's function-based structure had allowed it to make such acquisitions and growth. This growth was positive, but kept the focus away from the customer. The Bombardier culture was in silos (per function) and now needed to be integrated and aligned toward a new, customer-focused vision. Employees didn't understand the vision or values of the company, making it nearly impossible for them to support it. "It was a culture where we valued the 'firefighter,' the person who would step on everybody but get the job done in a crisis. There was very little teamwork" (Simpson, 2011).

As stated earlier, the company made a shift from hard to soft goals. **Hard goals**, like performance figures, are often easier to measure and are necessary, but could not be the main focus if the cultural transition was to take place. Instead, **soft goals**, like employee initiative and communication, had to be the focus. Bombardier leaders translated soft goals into hard measurements wherever possible to help the company evaluate progress. "The goal was to really enable the front line to take a lot more initiative. We didn't get it done rapidly; you don't change a culture rapidly" (Simpson, 2011). The leaders at Bombardier understood a critical success factor in alignment—you have to connect goals to the day-to-day work of each employee. If employees cannot see or understand the alignment, it will not be sustainable.

Effective alignment is achieved when there are champions of change. As Bombardier recognized, it is "important to get more people who could spread the ideas across the organization" who "spent all their time teaching others" (Simpson, 2011). By engaging employees across all levels to become champions of change, the vision and strategy is spread more quickly, consistently, and thoroughly throughout the organization. Champions are visible, daily examples of alignment.

Changing Systems and Processes

Alignment of culture to new strategies lays the groundwork for successful implementation of new systems and processes. Looking back at step six in Figure 3.1, planning and organization has to happen before the change can be successfully implemented.

A **process** is "an organizing concept that pulls together absolutely everything necessary to deliver some important component of strategic value" (Browning, 1993). The strategy dictates the necessary processes—the leader must evaluate whether those processes exist yet in the organization and, if so, how well they are helping the strategy to be implemented. Many companies must move from narrow, project-based perspective to a broad, program-based, end-to-end perspective (Browning, 1993). This can happen on either a micro- or macro-level; but regardless, changing systems and processes requires a big-picture view. The leader must see and understand how all the pieces should and do work together to accomplish the strategy.

The leader must see and understand how all the pieces should and do work together to accomplish the strategy.

Accountability is important when working with new or improved systems and processes. Browning suggests that "a new organizational role—the 'process owner'" be created. The **'process owner'** is the employee that is given both the responsibility and accountability "for the performance of a complete, integrated process" (Browning, 1993). Again, this relates back to alignment; for these new systems and processes to work, there must be spaces for them, created when the organization was aligned to the new vision. And changes in processes and systems must be made carefully and as correctly as possible to prevent a loss in employee and culture morale (Ghislanzoni, Heidari-Robinson, & Jermiin, 2010).

Ghislanzoni and colleagues note the top five strategies used by successful organizations when changing their systems and processes. The first is that successful organizations use reorganization "as an opportunity to change mind-sets and behaviors of the workforce" (Ghislanzoni, Heidari-Robinson, & Jermin, 2010). Processes and systems are often completely integrated, meaning that employees at all levels of the organization are involved. A change in processes and systems can help align the culture to the new vision and reinforce that alignment if done well. The second is a focus "as much on how the new organizational model would work as on what it looks like" (Ghislanzoni, Heidari-Robinson, & Jermin). Leaders must look at both the conceptual and the reality when implementing change—one without the other is incomplete and ineffective. The third is "accelerating the pace of implementation to make the new model deliver value as soon as possible" (Ghislanzoni, Heidari-Robinson, & Jermin). Speed of implementation is often less controllable than leaders would wish, but changes for which more planning and organization has been done are more likely to be swift and successful. The fourth is "addressing all risks and bottlenecks as early as possible, before and during implementation," which enforces the need for the leader to monitor the process and plan ahead before the implementation of new processes and systems. Finally, successful companies launch "new business initiatives just before or right as implementation was completed" (Ghislanzoni, Heidari-Robinson, & Jermin). Small and early victories are key, as we introduced in Section 3.2, and sustaining the momentum is important for implementing change. This is also true at the system and process level.

Authors Fine, Hansen, & Roggenhofer (2008) note six habits of "lean leaders" when changing systems and processes:

1. A focus on operating processes
2. Root-cause problem solving
3. Clear performance expectations
4. Aligned leadership
5. A sense of purpose
6. Support for people

Processes should be a focus, and successful leaders "make standardization a habit" (Fine, Hansen, & Roggenhofer, 2008). The goal is to solve the root problem, rather than make temporary solutions to surface problems. This doesn't always mean immediate solutions, but provides learning opportunities as processes and systems are changed. With this change comes the need for performance measurements that must be communicated and evaluated at all levels. Functional boundaries shouldn't stop changes in process. Looking at the big picture often requires that processes change across silos or departments. This requires that leaderships in all functions be aligned to the vision. Finally, changes must be related to employees' day-to-day work. Leaders must show others how all the pieces fit together and set both short- and long-term goals. Companies should change with purpose and support. Mulally, for example, gave purpose and support through good communication. He first aligned himself to the vision and then led by example. Processes and systems were changed—not arbitrarily, but strategically—and the change process was approached as a learning process.

These six habits encompass the importance of alignment of culture and people to the vision both before and during the implementation of new processes and systems. Leaders must see the real problems and develop a well-communicated and well-followed plan with that vision in mind along with clear expectations set at all levels.

Managing Change

The Specifics of Alignment

You are implementing change at a major pharmaceutical company. You want to veer away from the stereotypical reputation of a medicine factory concerned mainly with profit margins and cost-cutting measures, and steer the corporation onto a path that concentrates on the customers. Your vision: improving customers' health is paramount; set out to do good for society and make a good business.

Getting leadership on board is one of the first steps. You set out to integrate the three main components of proposed change: intent, people, and delivery. You recruit leadership by communicating a clear vision and your commitment to protecting its integrity in an effort to foster buy-in from managers and employees, thereby aligning the culture to your vision. You set to work on redesigning the infrastructure to manage delivery, including resource allocation, governance revisions, and metrics. You begin, with your team, to refocus activities of unit managers to support the new vision.

It is important to overcome the hurdle of integrating the three main components of a proposed change (intent, people, and delivery), however—as they are different dimensions of organizational change, you have to try to spin several plates at once and keep your attention focused on all corners of the organization. You are determined to lead by example: you see how the pieces of your organization fit together to achieve your vision, you have a big-picture view that you are communicating to others, and you are approaching this change as a learning process.

1. Describe the roles of values, vision, and operations in a transformational change and the differences between them.
2. What are the stages, in order, to take as you implement change?
3. What are some specific ways to align the culture of the organization with the change initiative?
4. What are some of the pitfalls to be avoided?

(See page 219 for possible answers)

3.4 Plan-to-Action: Roles, Relationships, and Interventions

While Mulally, Bossidy, and other top-level leaders generally serve as the champions of change in their organizations, assigned managers and teams work with consultants to actually drive the daily planning and implementation processes. While there is no one best or only way to organize organizations for change, most models refer to some form of top-down structure to launch the process that cascades across other organizational units, affecting all. Participation and acceptance of any change is important for the plan and outcomes to succeed. In this section we explain how the roles, relationships, and planned activities are designed and implemented.

Assigned Roles and Relationships

Having a comprehensive change roadmap and plan in hand—like the one discussed in the first section of this chapter—enables the CEO or top leader to proceed with the help of the human resources professionals to recruit and assign other individual leaders and teams to transition the organization to the future end. The following framework of leadership and change management teams who create and implement the change represents several approaches. Different organizations and leaders use some variation of the roles and relationships found in Table 3.1.

Table 3.1: Assigned leadership roles and relationships

Roles	Responsibilities	Deliverables
Sponsor (highest line authority)	"I give the 'go-ahead' to implement, provide resources, clarify outcomes, make course corrections, and sponsor the change."	"I set the direction and expectations, coordinate communication, sign off on major decisions, inspire confidence, and resolve significant disputes."
Executive Team (organizational senior managers)	"We manage the outcomes and results; coordinate the business with the change strategy and outcomes, balance priorities between the change activities and organizational business with middle managers and front-line supervisors."	"We authorize and fund the change requirements. Manage expectations; maintain operations; model new behaviors and attitudes of the change and new culture; sign off on daily decisions from the change team."
Leadership Change Team	"We are cross-functional, representing the entire organization; we have been delegated the authority to help create and implement the change strategy with the executive team. We create conditions to realize breakthrough outcomes. We own the change methodology and support its implementation in the organization."	"We develop the change strategy and supporting process plan producing results. We oversee the realignment and resources of the change strategy to ensure effective integration of all change objectives. We also model behavior and roles required to implement quality results."
Change Consultant and Project Team	"We lead and manage both the process and technical sides of the change. We coordinate with the Leadership Change Team to integrate the design and implementation of project change activities throughout the organization."	"We ensure the process and completion of all the major stages/phases of the change for each goal. We strategize, problem solve, and coach the business side on all steps and issues of change initiatives from plan to implementation. We're also role models of the behaviors and mindsets required for success of the change."

Sources. Adapted from and based: Ackerman Anderson, L. & D. Anderson. (2010). Chapter 1. The change leader's roadmap. *San Francisco, CA: Pfeifer, An Imprint of Wiley. and the Adkar model of change, http://www.change-management.com/tutorial-job-roles-mod2.htm.*

Leading and managing the change transformation involves coordination between the normal operating business side of an organization and the planned change side. Human resources professionals are also involved throughout the change process. Depending on the size of the organization and the scale of the change, assigned roles and relationships can involve a number of people and teams, as Table 3.1 shows. Notice that some of the roles in Table 3.1 involve integrating individuals' and teams' responsibilities between the organization's daily business functions and specific change activities. For example, the sponsor (who works for the organization) must also interact with representatives from all the groups. Similarly, the change consultant and his or her team (who are dedicated to the change program and do not work as part of the business functions) must interact with the Leadership Change Team and the Executive Team (members from teams who do work for the organization).

Power, Authority, and Responsibilities of Change Leaders and Teams

Notice also from the specific roles in Table 3.1 that power and authority is based on a number of sources including position power, technical expertise and knowledge, strategic and operational experience and know-how, ability to motivate and serve as a positive role model, skills in interpersonal and organizational communications, and the capability to execute the change requirements. The *sponsor* is an executive from the organization's line operation, that is, this executive has position authority and power in the chain of command to direct employees to perform tasks related to his or her position and the organization's goals. At the same time, this individual must be able to oversee the entire change process while inspiring others to succeed.

The *Executive Team* members of the organization must be able to balance priorities, workloads, and expectations of middle managers and front-line supervisors who are meeting the needs of the daily operations of the organization, while implementing new requirements from the change. They must ensure that the strategic goals and objectives of the change effort are being implemented, while also modeling the behaviors and mindset of the new organizational state that is still in transition.

The *Leadership Change Team* consists of members from different functional areas (marketing, finance, production, research and development) who must lead the implementation of the change strategy. They create the conditions and own the change methodology to realize breakthrough outcomes. They are content experts in their specific areas of specialization who are now charged with ensuring that the details of the plan are integrated "on the ground." Like the other members responsible for the change, they too must be the change that they effecting.

The *Change Consultant and Project Team* leads and manages the process and technical sides of the change. The *Change Consultant* coordinates with the *Leadership Change Team*, to integrate the design and implementation of specific change activities throughout the organization. The power and authority of change consultants and their team—usually hired externally—are based on their knowledge and expertise, not on their organizational status. Therefore, they need the cooperation of those leaders and members who are organizational hires to perform their work. As OD specialists, part of their expertise resides in their human relations, communication, and execution skills.

Criteria of Change Leaders and Teams

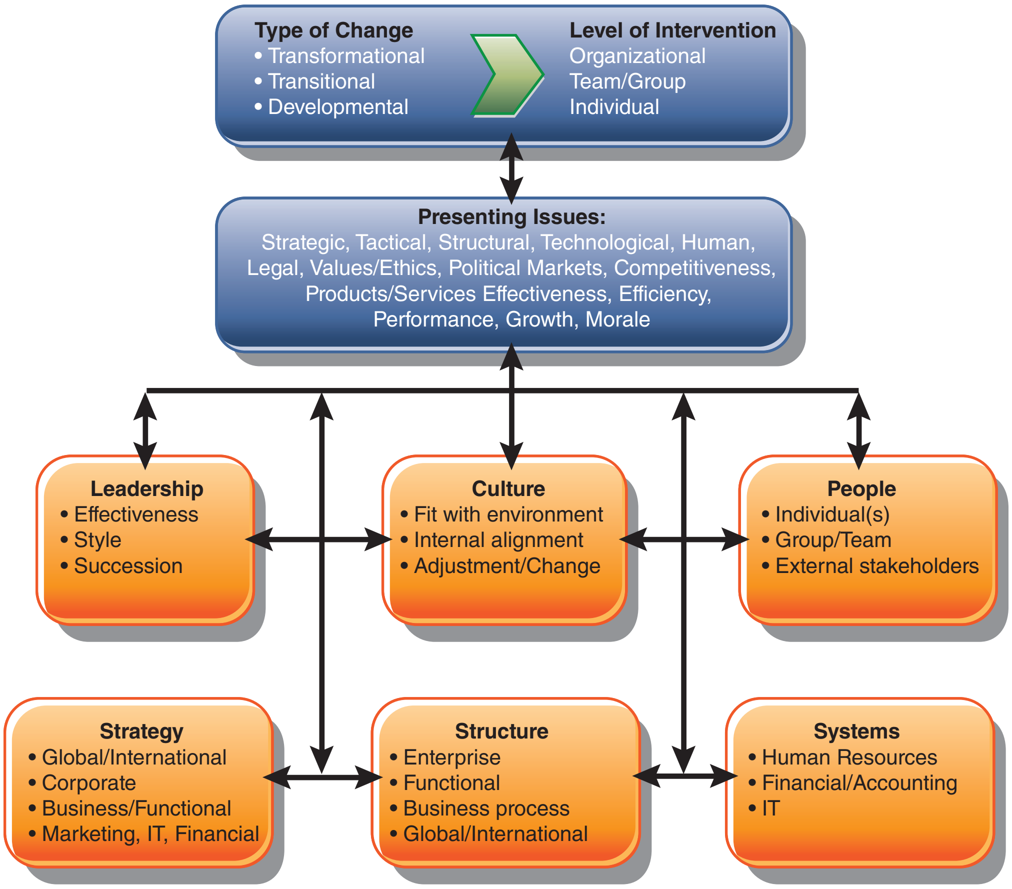
Criteria for selecting working members of the organization to help plan and implement the planned change consist of being: (1) highly competent in the organization and (2) best positioned to effectively lead the effort (Ackerman Anderson & Anderson, 2010, p. 41). In addition, we would add the following criteria, (3) being well-respected and well-liked by professionals in the organization, (4) being trusted by others in position of authority and responsibility, and (5) having a track record of accomplishments that are central to the organization's mission. These are also characteristics, competencies, and experience that CEOs like Mulally brought to Ford Motors and Bossidy to Allied Signal/Honeywell. While they were not always liked by everyone, they earned the respect of most based on their competence, their ability to inspire respect, and their knowledge and experience to demonstrate productive results from the changes they led. As noted in the previous section, collaboration is a cornerstone of effectively implementing change initiatives.

Implementing Interventions

A major task of change leaders and teams is designing and implementing change interventions. **Interventions**, with regard to organizational change, are specific planned activities and events aimed at helping an organization increase its effectiveness (Cummings & Worley, 2009). Based on diagnoses of problems organizations face and/or opportunities that can be gained, OD interventions are designed to change an organization or one of its units to a more effective state. From this perspective an intervention is effective if it meets three criteria: (1) it fits the organization's needs, (2) it is based on "causal knowledge of intended outcomes—the planned result of the intervention is based on adequate examination and is determined to be worth the effort, and (3) it transfers management competence to the organization's members (Cummings & Worley, 2009).

Different types of interventions depend on the diagnosed organizational change needed (transformational, transitional, or developmental), as shown in Figure 3.3. The type of planned intervention also depends on the particular organizational dimension (leadership, strategy, culture, structure, processes) that is targeted to change. Because we are dealing primarily with transformational or large-scale change here, the types of interventions required affect all of the major organizational dimensions in some way. Some changes within a particular organizational dimension may also affect the other dimensions. For example, a newly selected CEO has ripple effects on everyone. A major employee evaluation system can also affect different people across an organization; or an IT reporting and control system that most employees must use in some way will also affect different divisions, departments, and units in an organization.

Figure 3.3: Implementing interventions



Source: Adapted from Cummings, T. and C. Worley. (2009). Essentials of Organization Development and Change *(9th ed.), chapter 5. South-Western College Publishing, a division of Cengage Learning. 978-0324421385*

Before elaborating on the different types of change interventions shown in Figure 3.3, we summarize one of the most important transformational changes experienced in the history of the Avon Products company. We will use examples from this story to explain the nature and types of interventions organizations use.

Avon and CEO Andrea Jung

Avon is one of the world's leading direct sellers of beauty products, offering skin care, makeup, and fragrances, as well as jewelry, lingerie, and fashion accessories. The company sells to customers in 145 countries (Cohen & Roussel, 2004). Avon's 2011 annual ranking as a Fortune 500 firm was 226 of 500 with $10.863 billion in revenues (CNN.Money.com, 2011).

Times have not always been as upbeat as they currently are for the company and its CEO, Andrea Jung. During the 1990s Avon's robust growth nearly overwhelmed its supply chain organization (Cohen & Roussel, 2004). The firm had focused almost exclusively on marketing and sales to the exclusion of its supply chain and operational logistics. During the 1980s, Avon Europe had branches in just six countries and each had an independently operated factory and warehouse with separate information and distribution systems that handled the local market. When the company planned on doubling sales revenue in Europe from $500 million in 1996 to $1 billion in 2001, executives realized that replicating its country-based supply chain model in new and different markets would not work. A decentralized supply chain across international geographies and cultures would be cost prohibitive to Avon (Cohen & Roussel, 2004). Something had to change.

Andrea Jung had been with Avon for 17 years, the last 11 of which she served as CEO. When facing the situation described above, she had this to say:

> As I was deciding back in 2005 to undertake the boldest-ever restructuring of the company, I had a frank conversation with a friend to whom I turn for advice from time to time. He reminded me that most people who successfully orchestrate significant corporate turnarounds come from outside, because they have no vested interest in the company or its people. It was 8 p.m. on a Friday night, and he challenged me. Could I, he asked, go home over the weekend and fire myself as the CEO who had presided over five years of explosive growth, and then rehire myself Monday morning as the turnaround specialist who would lead the company into the next era? It meant totally reinventing myself from the leader I had been to an entirely new type of leader who would be right for the next chapter in the company's history. It was a very humbling experience, but ultimately very liberating. (Business Today, 2011)

In 2005 Jung saw the stock price that lifted to more than 181 percent during her first five and a half years as CEO drop 45 percent between April and October of that year (Bloomberg Businessweek, 2008). That same year saw the culmination of six consecutive years of more than 10 percent growth, with earnings having tripled under her leadership, come to an abrupt end. In Avon's European markets, a new sales campaign began every three weeks; but it took 12 weeks, on average, to cycle a product through the supply chain. Manufacturing was dependent entirely on forecasts, but about 50 percent of products resulted in rush orders because the company sold more than forecasted. Manufacturing incurred large changeover costs to stop production and meet rush orders. Preprinted containers were ordered in the language of the respective country markets before sales were known. The company had slow-selling inventory accumulating and significant, unpredictable costs dependent on sales (Cohen & Roussel, 2004).

One of the first steps Andrea Jung took in implementing change at Avon was to compose a solid team and transform the supply chain.

Significant resources were needed to transform the supply chain. Avon moved 45 of its best employees from Europe to work full-time for 18 months on the transformation. The company was challenged to create a centralized planning function to handle reactions to demand and inventory levels (Cohen & Roussel, 2004).

First Steps: Accumulating Information and Creating Systems

Avon's first step was to create a common database for the organization to record information about inventory, manufacturing, and sales. Things like product codes and descriptions were developed for global visibility and analysis. Management around the world had to evaluate sales and inventory trends—both supply and demand. Without accompanying systems, the information in the database could not be used effectively. So Avon also created a supply chain and scheduling system. A regional planning group was put in place to evaluate the entire supply chain and make decisions with this more complete information (Cohen & Roussel, 2004).

The Redesign

When Jung and her senior team at Avon stepped back and looked at their supply chain as an end-to-end process, instead of as isolated local systems, the real value and benefit of transforming it became evident. If the supply chain was transformed, "Avon would have to buy only one plain bottle for shampoo or lotion instead of five or six language variations. Plants could make one long production run without repeatedly switching bottle stock. And customer service would improve because branches could be more responsive to changes in demand." So, when inventory was exhausted in any market, the warehouse moved into action by labeling products in the relevant language and shipping them out on trucks. The savings and economic gain would be significant.

Avon embarked on the redesign of the physical supply chain. Manufacturing operations were consolidated around the company's emerging market, allowing for time and labor cost efficiencies. A centralized inventory hub was created near two manufacturing plants in Poland, allowing products to be directed as demand was determined. Containers were standardized to reduce changeover costs. By purchasing inputs like containers from suppliers close to the manufacturing plants, transportation time and cost was reduced, and suppliers were fewer in number and more flexible and responsive.

The redesign was possible because Avon widened its view of the company's overall operations. The decentralized model—where each country operated independently—kept Avon from working as a single, streamlined operation. The different officers and managers had not seen "the forest from the trees," as the saying goes. By looking at the supply chain as an end-to-end process, Avon could make better strategic choices and adapt to changing market demands more quickly (Cohen & Roussel, 2004).

Communication and Realignment: Process, Structure, and Desired Results

Avon next changed its structure to match the redesign of its supply chain processes. "Plan, source, make, and deliver" became the new key process (Cohen & Roussel, 2004, p. 3). The simpler, centralized model was easier to manage. It also changed the roles and responsibilities of many employees. For example, general managers became responsible primarily for sales, rather than for inventory. Jung made facts rather intuition the main driver behind managers' decisions. This shift removed much of the autonomy of country managers but enabled them to perform their work with more precision, increasing overall performance of each operation. These changes were reflected in new performance metrics—a "data-centric approach" (Bloomberg Businessweek, 2008). The company also infused collaboration in its changes. A collaborative design workshop was held, involving suppliers, a design firm, and Avon marketing and supply chain personnel. Collaboration of ideas yielded designs to reduce costs and improve efficiency.

New processes and structure were communicated through training to upgrade employee skills. Avon partnered with Cranfield University, a supply chain business school in Britain, to develop a new training program in both full and accelerated durations ("full" for supply chain associates, and "accelerated" for senior executives) (Cohen & Roussel, 2004).

Avon successfully implemented a new and vastly more efficient supply chain to respond to its rapid growth of two or three new markets per year. "By rethinking the supply chain, increasing efficiency, and taking out costs, Avon would save about $50 million annually" (Cohen & Roussel, 2004, p. 4). The company went on to create a fully integrated IT (information technology) system to incorporate the changes and the new information collected.

The Transformation of Jung and Avon

Jung's proven expertise and experience were grounded in building brands, not in turning around global logistics supply chains, structures, and systems. When she saw the steep decline of the company in the early 2000s, she said, "My first reaction was: 'I get it. I see the numbers, but I just don't know if I, or we, have the stomach for it'" (Bloomberg Businessweek, 2008). She had to combine and shift her own and her managers' thinking from intuition to a numbers, data-driven approach to problem solving. She also had to strip a lot of the autonomy from country managers from Poland to Mexico who were used to running plants their way. Now, they had to make way to install and mobilize a globalized manufacturing and marketing system.

Jung also had to champion the downsizing of the company—a most painful task. Seven layers of management were let go, from 15 down to 8 management levels. During the restructuring, she flew from country to country talking with her top 1,000 global managers. Her basic message was that "By the end of this year, one quarter of you will be gone." She reflected, "I put a lot of people in those jobs. You can imagine it was the toughest time to walk the halls" (Bloomberg Businessweek, 2008).

She also had to lead the charge on launching the "numbers-heavy return-on-investment" analysis that most of the larger, successful consumer products companies—Gillette, Procter & Gamble, PepsiCo, and Kraft—had been using for many years. The analysis was run by an executive team, most of whom were recruited from outside the company and were centralized from the New York headquarters (Bloomberg Businessweek, 2008).

Recently, Jung has more pressures with which to contend (Lublin & Karp, 2011). The Securities and Change Commission inquiries and an SEC subpoena are investigating whether Avon has been involved in bribes and has also improperly disclosed market-sensitive information to financial analysts over the past two years. Such information could affect investment decisions. Also, industry analysts and investors are upset over operational missteps that led to an 18 percent drop in Avon's shares. Some are questioning Jung's ability to execute strategy. Andrea Jung stated that she is working to fix the problems and is crafting a new long-term plan. She has faced and overcome hardship before; this time she has more experience in doing so.

Types of Interventions

We usually do not read about or see how the different implementation roles explained earlier in this section are carried out in notable organizational transformations. What we do read about is how visible CEOs and leaders either master or fail at organizational changes. Mulally at Ford and Bossidy of AlliedSignal, for example, succeeded in their efforts. Andrea Jung at Avon, however, had to struggle to learn and adopt the necessary implementation roles and expertise needed to turn Avon around. She did succeed, but is again facing investor and industry analysts' pressure to execute changes that are overdue.

Reinvention of the Leader as Change Champion

Jung led the restructuring and centralization of Avon's supply chain that required a transformation of new logistics systems and business processes that, in turn, changed employee roles as well as the manufacturing and marketing processes. She succeeded at leading these *strategy* and *systems* (shown in Figure 3.3) by reinventing her roles and relationships as an implementation leader who had to make the tough decisions and see these enacted. This reorientation was not easy and did not happen right away. Avon experienced a 45 percent stock price drop and the cessation of earnings growth in 2005 before any changes were made. It was challenging for Jung to stomach these downturns when the company had been doing so well under her former leadership style. A friend advised Jung that in order to turn the company around, she would need to approach the situation as an outsider would and go against her performance-validated leadership instincts.

As Figure 3.3 suggests, she had to change not only her leadership, but also the culture, people, strategy, structure, and systems of the organization. The team she put together developed the strategy at corporate and functional levels. Jung started by looking at the big-picture problems to determine the big-picture solutions, and then brought people together to work out the details.

Reinventing a Supply Chain and Culture

With the plan ready to be put into action, Jung used her role as integrator to attack the systems and structure issues. She started with a new common database system for recording inventory, manufacturing, and sales data. Avon also created a new supply chain and scheduling system. Both systems integrated information and decision making within the organization. It required Jung to identify and use relationships with employees, vendors, and customers to successfully implement the new system and get good feedback throughout the process. This major change at Avon was a collaboration of efforts and insights. Jung relied on this collaboration. This was a balancing act for all parties.

Structural Interventions

With the new system in place and functioning, Jung turned toward the structure. She looked at the supply chain from all levels—enterprise, functional, business process, and global. Avon consolidated its facilities and created a centralized inventory hub. Major physical changes like this require significant amounts of resources (particularly financial), making it critical that the leader maintain good relationships with employees, vendors, and customers. Relationships allow for the beneficial exchange of information and feedback, and they often help make the change process more efficient, accurate, and mutually beneficial. The leader must make sure all stakeholders see the value in the change and understand their unique contributions to it. Jung topped off the structure changes by standardizing containers and localizing suppliers. All these process and structure changes made Avon's supply chain (and its people) more agile.

Roles, Relationships, and People Interventions

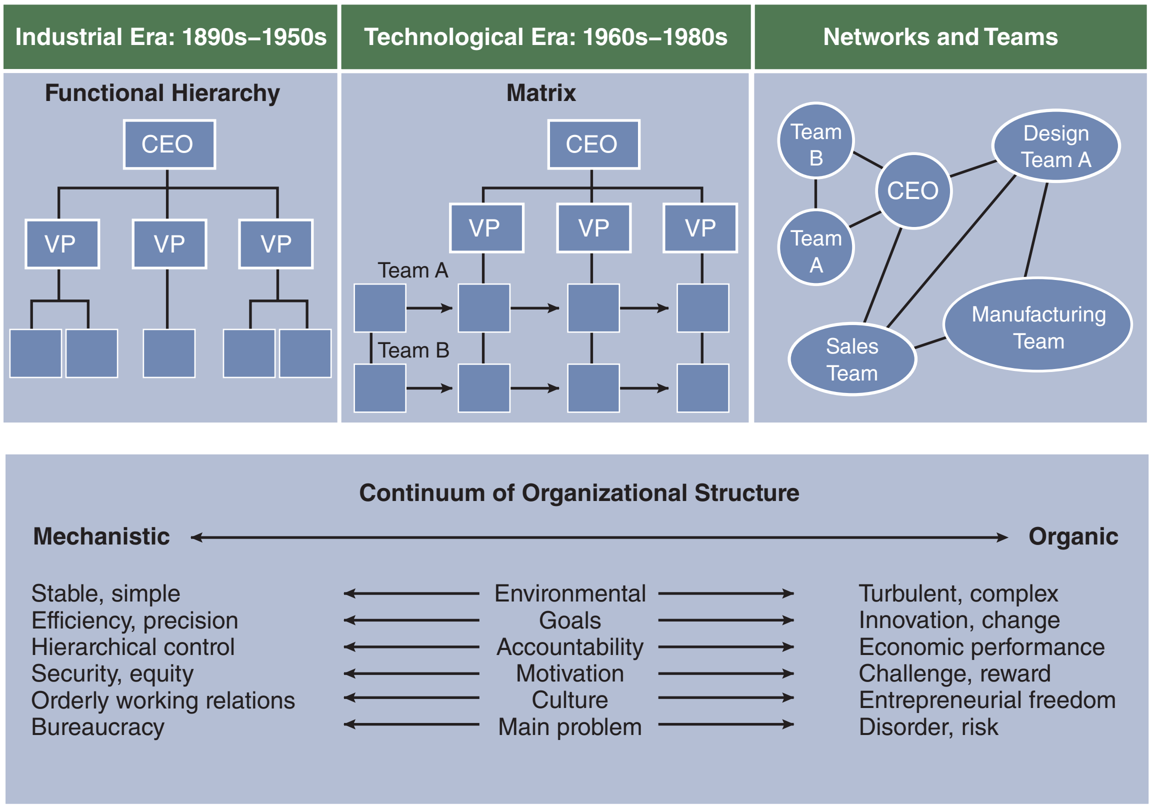
The new roles and relationships required dramatic changes for many managers, not only for Jung. A simpler, centralized model was easier to manage and resulted in a responsibility shift from inventory to sales. It freed managers to evaluate larger issues, instead of micromanaging and responding to inventory concerns. By understanding their roles and relationships, the managers were free to use and develop more of their skills and talents. These changes affected the culture and the people. The culture became more centralized and integrated, as communication was integrated and supply chain problems were no longer there to cause unneeded tension. People changed as employees' roles were relocated, more local suppliers were used, and outside specialists were brought in to train employees and to evaluate the supply chain.

Jung succeeded at learning new leadership roles and relationships during this implementation process. She learned to be an integrator, liaison, and cheerleader throughout the process—not with creative marketing and merchandising employees, but with first-line managers and supply chain systems professionals. The implementation succeeded because she assumed roles that involved the nuts and bolts operational systems and strategy, which were an integral part of the company's culture, people, structure, systems, and enterprise strategy. These changes were not instantaneous. It took years of strain on the supply chain and declining performance and the advice of a good friend to direct Avon and Jung into change. In the end, these changes were the result of careful observation, feedback, and collaboration.

Implementing New Strategies and Structures

Observing Jung's experience, she, as do other CEO change champions, must ask, "What structure is best for a company?" The answer from a contingency management theory approach is, "It depends." It depends on the strategy, the changing marketplace, the competition, and the evolving needs and requirements of products and services. Generally, as Figure 3.4 illustrates, organizational structures have evolved from functional, vertical hierarchies to matrix and product-structural arrangements to more recently, organic (flexible and decentralized) networks, outsourced alliances, and teams (virtual and land-based).

Figure 3.4: Organizational structures



Source: Based on Halal, W. (1994). From hierarchy to enterprise: Interval markets are the new foundation of management. Academy of Management Executive, 8*(4), 70.*

Some degree of centralization and control are required for standardization in products and/or services to save and share costs, ensure quality and evenness, maintain control over errors, and increase profit margin—as was the case at Avon. Still, flexibility, integration, speed, and operational connectivity output are also required to streamline structures, and meet changing customer demand. For these reasons, many firms that wish to establish accountability with flexibility move certain operations into strategic business units (SBUs). These arrangements give units control over their own profits and losses (P&Ls), while coordinating strategy, revenue, and profit targets with the parent company. In Jung's situation, the company had become too localized in its decision making and operations. The supply chain had splintered, and costs were getting out of control. Her task was to centralize the logistics while empowering managers to follow the new strategy based on cost savings and accommodating marketing to local country contexts.

In practice, larger multinational and global firms use a combination of structures—functional, product, divisional, matrix, and team—to take advantage of national and multidomestic competitive market and operations advantages. For example, large international firms like Coca-Cola and Procter & Gamble, to name only a couple, have used global matrix structures that combine standardizing certain products across countries (a global matrix), while adapting some products for local country customer preferences (a global geographic structure).

Whatever organizational structure is selected and aligned to the strategy, increasing use of information technologies is serving as the most rapid and relied on means of decision making while keeping in constant touch. Bill Gates' concept of the organization as a digital nervous system (Gates, 1999) is still relevant to the ongoing integration of IT technologies that link and transform the strategic thinking, customer interaction, basic operations, and business reflexes of companies. Cisco Systems provides an excellent example of Gates' concept. The company "… develops and sells networking and systems communications technology products and services" (Schneider, 2011). It is based in San Jose, California, and originally specialized in the enterprise (business) market, but has since incorporated the home networking market. The company practices what it develops, markets, and sells—interconnectedness. Cisco promotes innovation by combining and integrating knowledge workers with the company's core competency—the technology and people it develops and acquires (Kochan, 1999).

Cisco practices what it develops, markets, and sells—interconnectedness. Pictured here, Cisco's high performance Blade server.

It is important to remember that structure does follow strategy. In the case of Avon, the strategy was to centralize the product manufacturing logistics, based on state of the art IT and business process management leadership. Other situations may call for different strategies (e.g., decentralizing authority and decision making) and structures. The effectiveness of determining whether a new strategy is aligned with other organizational dimensions can be found by asking people throughout the organization the following questions:

1. Can you state the organization's guiding, overall strategy?
2. Is the organization's dominant strategy clearly communicated to you?
3. Does the organization's strategy guide any of your work processes and results?
4. Are your skills related to the organization's strategy?
5. Have your work, knowledge, or work output changed as a result of the organization's strategy?
6. Is there a consensus in the organization on the organization's strategy?

Group and Individual Interventions

Changing behavior, attitudes, and mindsets is not easy. Resistance to change was discussed earlier in this text. With regard to organizational change programs, Ford, Ford, and D'Amelio (2008) propose a different way of understanding and dealing with resistance. Instead of approaching change as irrational or as a dysfunctional reaction with the need to "overcome resistance" to it, these authors propose that "change agents contribute to the occurrence of resistance through their own actions and inactions and that resistance can be a resource for change" (Ford, Ford, & D'Amelio, 2008, p. 1).

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In this regard, the change agent's job should involve taking responsibility for the relationship with those who resist and for the tactics of the change implementation. "This includes taking charge of the change dialogues to include inquiry that gets to the root of apparently resistive behaviors by bringing both agent and recipient (the resister's) background conversations to the fore and engaging in those actions needed to maintain and improve the agent-client relationship" (p. 373). Overcoming resistance, from this view, is not the aim; rather, it is important to engage and include in the dialogue the resister's action, the change agent's interpretations of the situation, and the organizational background—including the relationship between the resister and change agent. This dialogue and communication process seeks to find a balance and get to the nature of what the resistance is about from all points of view, including the facts in the situation.

Not all professionals will or perhaps should accept planned changes in organizations. Some individuals may find that the requirements and costs needed to change exceed their ability, willingness, and desire to change. However, organizations in many cases have an obligation legally and ethically to offer leaders, managers, and employees opportunities to learn, develop, and adapt to planned changes. Interventions aimed at developing, retraining, and orienting individuals and groups to future organizational states include such interventions as coaching, educational and training programs, team building, communication skills, leadership and management programs, career development, problem solving, IT skills, and mentoring programs. Many change management skills and strategies are found in this text. Chapters 4 and 5 address desired skills and mindsets needed in agile and learning organizations.

Managing Change

Interventions That Change Business Processes

You are the leader at a consumer products company. The company survived the financial crisis, but is struggling to maintain growth in the sluggish recovery. Customers are seeking improvements in service delivery, which will require more financial resources, but superior customer service is an integral part of your vision.

The company facilitates online orders and ships from a centralized hub to destinations nationwide. Packing and shipping is a large part of the cost to customers—sometimes rivaling the cost of the product itself. Change is in order to maintain the vision and answer customer demand, but ideally, leadership is in agreement that layoffs should be avoided as a means to boost financials; doing so can also protect employee morale.

After a gap analysis is performed, it is determined that improvements can be made in speed-to-market. Fellow leadership is on board, but you know that you must embody the change and continually seek their feedback and collective input to strengthen any change implementation.

1. What type of intervention would you perform in this scenario?
2. How would you creatively execute this type of intervention?
3. Aside from the main task at hand, what kinds of considerations should you keep in mind?
4. How will you manage resistance?

(See page 219 for possible answers)

3.5 Managing Stakeholders: Politics, Power, and Collaboration

Transformational change inevitably involves competition and changes in the balance of power between executives, groups, and employees. Change initiators and agents must have sufficient power themselves to plan, implement, and sustain the organizational change. CEOs generally direct the transformation with the help of their core leadership team, as we discussed earlier. However, in larger organizations, as the change implementation plan is communicated and cascades down and across the organization, different-level managers and teams take charge and need different sources of power to be effective.

Developing Political Support and Using Power in Organizational Change

Greiner and Schein (1988) identified three major sources of personal power in organizations that are relevant to change agents: knowledge, personality, and the support of others. Besides having position power (power invested in the change agent's place in the hierarchy—job title, status), those directing the change should also have knowledge, experience, and expertise in dealing with organizational change. Change agents use their expertise and knowledge in gathering and analyzing diagnostic data and information, reports, company sources, formal and informal interviews, and surveys. These are all legitimate methods in a "playing-it-straight" strategy for preparing and implementing change.

Using the support of others in the organization is a second source of power for change agents. This power source involves the strategy of "using social networks, powerful groups, and alliances to get change implemented. Using other people's power bases and influence as leverage for change agents can be an effective strategy for uncovering hidden obstacles in the formal and informal system" (Greiner & Schein, 1988). Gaining access to those who can help promote change is key.

Personality is a source of power. Charisma, reputation, and credibility can assist a change agent's personal power in managing the political nature of change.

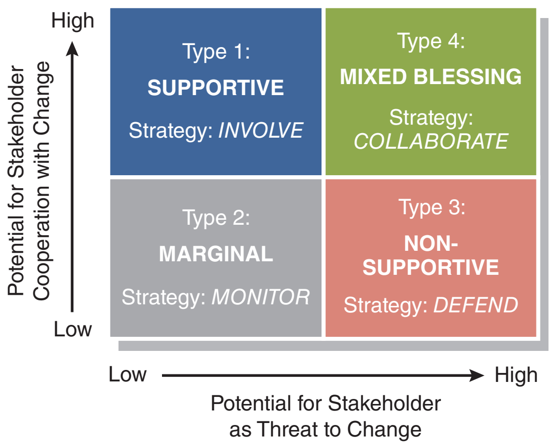
Personality is a third source of such power. Charisma, reputation, and credibility can assist a change agent's personal power in managing the political nature of change. A major strategy that can be used from personality is "going around the formal system." Managers and employees who are liked have informal influence and those with good reputations can use their personal legitimacy to circumvent bureaucracy, rules, and red tape to enact changes. While this is an easy method to use, it may have negative and ethical consequences. Caution should be taken with the use of personal power to avoid the formal system.

Identifying and Influencing Major Stakeholders

Another step in preparing to manage the political dimension of change is to have the guiding planning coalition identify and then influence the key stakeholders who would be involved or affected in the change in order to support the effort. Stakeholder analysis is one tool to assist in this process (Freeman, 1984). This type of analysis does not involve creating an "us against them" stance; rather, it is a way of identifying the key stakeholders in the change process in order to understand the types of issues that may affect different individuals, groups, and work units from the change. Involving different individuals across the organization in this process can keep the process more objective. The following questions are asked:

1. Who are the stakeholders (i.e., people who have a stake—claim or interest) in supporting and resisting the change?
2. What are their stakes in either supporting or resisting the change?
3. What do the supporters stand to gain and lose from the change?
4. What do the resisters stand to gain and lose from the change?
5. What type(s) of power do the supporters have with regard to the change?
6. What type(s) of power do the resisters have with regard to the change?
7. What strategies can we use to keep the support of the supporters?
8. What strategies can we use to neutralize or win over the resisters?

Figure 3.5: Stakeholder matrix



Source: Savage, G., Nix, T., Whitehead, C., & Blair, J. (1991). Strategies for assessing and managing stakeholders. Academy of Management Executive, 5*(2), 65.*

Once the key stakeholders are identified, they can be mapped into supportive, non-supportive, "mixed blessing," and marginal positions with regard to the planned change. Using the strategies of Savage, Nix, Whithead, and Blair (1991) for assessing and managing stakeholders, as represented in Figure 3.5, a change agent and core team can gather information to help determine influence strategies. For example, stakeholders who are supportive (Type 1 in Figure 3.5) need to be involved in order to maintain and leverage their support to prepare for and implement the change. Stakeholders who are nonsupportive require strategies by the change agents that defend the change. However, because the goal is to move as many stakeholders as possible into a supportive stance, it is possible to use other strategies with nonsupportive people.

For those stakeholders who are marginal (Type 2, those who show a low potential for cooperation with the change and are seen as a threat to the change), a monitor strategy is suggested. To the extent that these fence-sitters can be moved into supporters, other strategies can be considered as well. Because mixed-blessing stakeholders (Type 4) have a high potential of threat to the change and also a high potential for cooperation, a collaborative strategy could be used to move them to a supportive stance. When developing influence strategies with stakeholders, it is important to stress the vision, mission, and values of the new change. It is always important to keep the ethical means as well as ends in mind when identifying and before using any strategy. A goal in managing the politics and power of any change process is not to hurt anyone and to respect everyone.

Hewlett-Packard's Stakeholder Controversy

The HP example discussed earlier in this chapter illustrates how a stakeholder analysis might have prevented the controversy and confusion over whether the company should have exited the PC business. Certainly controversy was swirling inside HP over whether to sell the PC business and adopt a "You bet the company" strategy on a software venture.

That strategy was championed by Leo Apotheker who made the case for HP's acquiring the British software firm, Autonomy, for $10.3 billion. Apotheker then directed HP to rely on its software business using its new consumer tablet, the TouchPad and HP's operating system WebOS, which was developed to compete with systems like Android (Steward, 2011). Apotheker attempted to move stakeholders inside HP and out to a "Type 1" Supportive Strategy as shown in Figure 3.5. It seemed that members of HP's board were moving between Type 2 (Marginal) and Type 4 (Mixed Blessing) positions with regard to Apotheker's proposal.

There were certainly a number of stakeholders and influential observers who were firmly in the Nonsupportive group in Figure 3.5. For example, when former HP director and venture capitalist Tom Perkins heard that HP was buying the British software firm, he stated, "It's just astonishing. … I didn't know there was such a thing as corporate suicide, but now we know that there is" (Steward, 2011). A software executive reportedly said about the purchase and proposed strategy, "It was as if Alan Mulally left Boeing to join Ford as CEO, and announced six months later that Ford would be making airplanes" (Steward, 2011). Other industry analysts, CEOs, and business media were also weighing in heavily against Apotheker's and HP's strategy of moving completely out of its PC manufacturing business to a software firm that would go head-to-head with Apple, Google, and other dominant players in that competitive space.

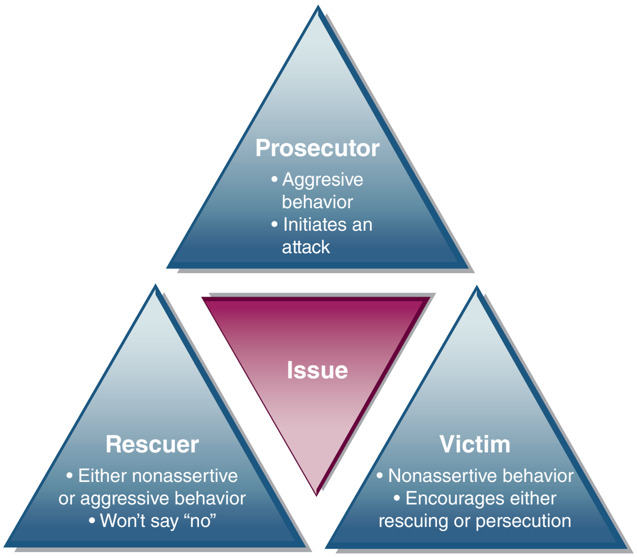
Without executing a thorough stakeholder analysis on this issue here, the result of the controversy was that the board—who had the most voting power—moved into the Nonsupportive stakeholder position, ousted Apotheker, and brought in Meg Whitman who kept the HP manufacturing group.

Managing Conflict

Implementing changing strategies involves conflict among and between people. Conflict within an organization can be productive and/or problematic depending on a number of factors. **Conflict** refers to competition that "occurs between parties whose tasks are interdependent, who are angry with each other, who perceive the other party as being at fault, and whose actions cause a business problem" (Ohlendorf, 2001). Conflict can also be classified by its end result as either *constructive* or *destructive* and *functional* or *dysfunctional*. Constructive or functional conflict is progressive—the result is growth and change, with increased involvement and unity. Destructive or dysfunctional conflict, on the other hand, is regressive—the result is retreat and polarization, with a loss of morale unity (Ohlendorf, 2001).

Conflict is inevitable when managing stakeholders. Organizations must direct all parties toward constructive, rather than destructive conflict. This task requires foresight, situational analysis, and good communication. Destructive conflict can be seen and often evidenced through a "drama triangle" as depicted in Figure 3.6. This triangle illustrates a pattern involving a "persecutor," "victim," and "rescuer" (Ohlendorf, 2001; Lloyd, 2001). While at first glance these three roles appear somewhat dramatic, leaders, managers, and employees can take on such attitudes and behavior patterns, particularly during stressful times in a change implementation process.

Figure 3.6: The drama triangle



Source: Based on Ohlendorf, A. (2001). Conflict resolution in project management. *University of Missouri-St. Louis. Retrieved from http://www.umsl.edu/~sauterv/analysis/488_f01_papers/Ohlendorf.htm*

Anyone who uses aggressive behavior to initiate an attack against another or others who, in turn, can behave as victims can take on a persecutor role. The victim's nonassertive behavior encourages either persecution or rescuing. Victims are often characterized by feelings of helplessness, inadequacy, or guilt, stemming from stress or lack of confidence. And we know these feelings occur when resistance or avoidance to change occurs. Rescuers exert either aggressive or nonassertive behavior and become the rescuer because of their unwillingness to say "no." This unwillingness allows them to champion the problem of the victim. For example, on March 30, 1981, John Hinkley shot President Reagan. The assassination attempt failed, as President Reagan survived the gunshot wound, but there was a period of chaos in which he was hospitalized and out of commission. During that period, the then Secretary of State Alexander Haig stated that he was "in control here" when, in fact, Vice-President George H. W. Bush was the legal successor to the President if that need occurred. Haig was seemingly acting as a rescuer.

"By learning how to identify these unproductive roles and how to effectively handle each role player, managers can prevent some conflicts from occurring and resolve those that do" (Ohlendorf, 2001). When managing change in an organization, leaders should be on the lookout for these three roles—who is already showing attitudes and behaviors of a persecutor, victim, or rescuer; and, who is likely to become a persecutor, victim, or rescuer? Employees should not, however, be restricted to these roles when considering conflict. Destructive conflict like this is not the ideal—it is to be avoided—and leaders should instead encourage constructive conflict through good communication and teamwork.

Because conflict cannot be avoided, it is important that organizations have a strategy for resolving conflict. Karen Duncum, a consultant and owner of Star Performance Consulting, suggests six steps to transform a conflict into a constructive conflict:

1. Stop ignoring conflict; it won't make it go away.
2. Act decisively to improve the outcome.
3. Make the path to resolution open and honest.
4. Use descriptive language rather than evaluative.
5. Make the process a team-building opportunity.
6. Keep the upside in mind. (Duncum, 2010)

Face-to-face discussion (often known as a *confrontational approach* to conflict resolution) is a mutually beneficial method. It is also infinitely more efficient and effective than simply ignoring a conflict. As Ohlendorf recognizes, this confrontational approach is best when there is trust between the parties, a need for both parties to win, adequate time, and when learning is the ultimate goal of both parties (Ohlendorf, 2001). The second step—**decisive action**—is needed to prevent, respond to, or reconcile conflict quickly. This must all be done with open and honest communication. All parties involved in the conflict should have input and the decision should be clearly and timely communicated. "When shown that identifying and working through misunderstandings will actually enhance their productivity and career prospects, they almost always become ardent participants" (Duncum, 2010). Ohlendorf agrees, noting that "managers at all levels of an organization should be attentive to enhancing employee perceptions of organizational justice in order to encourage the use of more cooperative styles for organizational conflict management" (Ohlendorf, 2001).

Cooperative styles include confronting, compromising, and smoothing. We mentioned the confrontational approach above—a win–win, face-to-face method for resolving conflict. The *compromising approach* involves a give-and-take negotiation in which each party must sacrifice in order to reach a mutual compromise. This approach is appropriate when time is limited and an initial agreement cannot be reached. The *smoothing approach* is more accommodating—areas of agreement, rather than disagreement, are the focus. While this approach is more cooperative, it does not always succeed in resolving conflict. It should be used if there is an overarching goal, any solution will be adequate, or the organization needs more time. (Ohlendorf, 2001).

Duncum's final steps involve creating "success momentum" within the organization (Duncum, 2010). "Success momentum" is the result of effective conflict resolution, which can only be reached through positive words, attitude, and team building. Descriptive, rather than accusatory, words facilitate cooperation and growth. Encouraging teamwork during conflict resolution can improve an organization's interpersonal relationships and create a culture of resolution.

Facilitating Collaboration

Implementing a planned change involves more than leading and managing power, politics, and conflict; it also requires collaboration among individuals, groups, and external stakeholders. **Collaboration** is generally defined as communicating and working mutually with others in pursuit of common goals. Leaders and managers, again, are responsible for creating and enacting an environment, culture, and behaviors that demonstrate collaboration. Elizabeth Moss Kanter at Harvard University identified the following three intangible assets and leadership roles (concepts, competence, and connections) needed to master change:

- *The imagination to innovate*: Effective leaders must help develop new concepts, ideas, models, and technology that distinguish organizations.
- *The professionalism to perform*: Leaders can provide personal and organizational competence to deliver value to demanding customers while executing flawlessly with the support of the workforce.
- *The openness to collaborate*: Leaders bring connections with partners who deepen the organization's reach, add to its offerings, and energize its practices. (Kanter, 2002, p. 48)

Manyika and colleagues (2009) reported that studies on collaboration by McKinsey & Company suggested that "getting a better fix on who actually is doing the collaborating within companies" and finding out details of how that interactive work is done is the beginning of changing old habits that lead to less interaction and productivity. Using Web 2.0 tools, such as social networks, wikis, and video, actually helped increase company interactions internally and with customers. For example, Cisco Systems collaborates using different technologies to interact and improve productivity. The company mandated the use of its own video technologies and other collaboration tools to reach additional customers and business partners. The company replaced many in-person meetings with virtual interactions and embedded these practices in their policies and governance procedures. As a result, during an 18-month period, the shift in collaborative practices saved Cisco more than $100 million in travel and business expenses and decreased the company's carbon emissions by 24 million metric tons. The company also showed that "… 78 percent of the targeted employees reported increased productivity and improved lifestyles without diminishing customer or partner satisfaction" (Manyika, Sprague, & Lee, 2009).

Kanter stated that mastering "deep change" (being first with the best service, anticipating, meeting new customer requirements, and applying new technology) requires companies to be more than adapters to change. Organizations have to be "fast, agile, intuitive, and innovative." To help organizations meet these challenges, leaders cannot be monitors only of their organizations, but must also monitor their external realities and environments (Kanter, 2002, p. 52). They have to employ the following skills to implement, sustain, and collaboratively master change for their organizations:

1. Tune in to their environments: create networks of "listening posts"—joint ventures, satellite offices, community service.
2. Challenge the prevailing organizational wisdom: develop "kaleidoscope" thinking—i.e., question assumptions and construct patterns of how their organizations fit with the marketplace and community.

3. Communicate a compelling aspiration: communicate a change that has not happened and that requires more than "selling" the vision. Leaders must have real conviction and communicate an aspiration that they genuinely believe.
4. Build coalitions: involve influential people who have political clout and resources. Leaders must identify and win over key supporters, opinion shapers, value leaders, and other experts.
5. Transfer ownership of a working team: get a coalition in place to drive the change. Leaders must then continue to be involved to encourage, support, coach, and provide resources to the team, while allowing people to explore new possibilities that are not costly.
6. Learn to persevere: leaders must not stop too soon in the change transformation. To embed the change, leaders must continue to monitor the environment, check assumptions, question whether the change is the right one, and stay involved.
7. Make everyone a hero: recognize, reward, and celebrate progress and accomplishments. Change is ongoing. If change is effectively implemented, it can be sustained if leaders encourage and recognize the talents, skills, and energies of the people who made and continue to make the change happen. (Kanter, 2002, pp. 51–58)

Managing Stakeholder Responsibilities

The recent global financial meltdown that was precipitated by unregulated activities from a host of financial institutions and individual traders showed that corporate change was needed not only for competitive reasons, but to also curb, recuperate from, and prevent such illegal and unethical losses from reoccurring. Greed and power can lead to misuse and abuse of employee pensions and livelihood, investors' trust, and the public's confidence. At stake more recently is the entire global economy.

Former CEO of Enron, Ken Lay, was found guilty of committing one of the biggest financial frauds in U.S. history. He died of an apparent heart attack while awaiting sentencing.

Looking back, the scandals of some of the most prestigious U.S. firms (such as Andersen Consulting, Tyco, WorldCom, and Enron) during the early 2000s also clearly illustrated the need not only for internal controls over financial operations and strategic direction, but also external controls from the SEC (Security and Exchange Commission), as well as other government agencies (Weiss, 2009). Turnarounds, reorganizations, and restructuring—as well as bankruptcies and prison terms of several executives—were the types of transformational changes that have occurred in the aftermath of several of these scandals.

The following list of criteria and questions can be used to discover the extent to which leaders and employees are aware of and manage their organizations and stakeholders legally, ethically, and competitively. The embedded criteria in the list are also applicable for reviewing an organization's governance procedures based on ethical and legal principles:

1. Do the top leaders believe that key stakeholder and stockholder relationship building is important to the company's financial and bottom-line success?
2. What percentage of the CEO's activities is spent building new and sustaining existing relationships with key stakeholders?
3. Can employees identify the organization's key stakeholders?
4. What percentage of employee activities are spent in building productive stakeholder relationships?
5. Do the organization's vision, mission, and value statements identify stakeholder collaboration and service? If so, do leaders and employees "walk the talk" of these statements?
6. Does the corporate culture value and support participation and open and shared decision making and collaboration across structures and functions?
7. Does the corporate culture treat its employees fairly, openly, and with trust and respect? Are policies employee-friendly? Are training programs on diversity, ethics, and professional development available and used by employees?
8. Is there collaboration and open communication across the organization?
9. Are open, collaborative, and innovative ideas rewarded?
10. Is there a defined process for employees to report complaints and illegal or unethical company practices without risking their jobs or facing retribution?
11. Does the strategy of the company encourage or discourage stakeholder respect and fair treatment? Is the strategy oriented toward the long or short term?
12. Does the structure of the company facilitate or hinder information sharing and shared problem solving?
13. Are the systems (i.e., human resources, information, rewards, finance, legal) aligned around a common purpose or are they separate and isolated?
14. Do senior managers and employees know what customers want and does the organization meet customer needs and expectations? (Weiss, 2009, pp. 316–317)

Annual surveys of The World's Most Ethical Companies (Ethisphere, 2011) illustrate the examples of more than 110 firms in 2011 that were evaluated by industry peers, attorneys, professors, and government officials on their ethics and compliance program, governance, and evidence of corporate responsibility. In 2011, 36 firms were added as new to the list and 26 companies were taken off from the previous year's list because of "… litigation and ethics violations, as well as increased competition from within their industry" (Ethisphere, 2011). Some of the current most ethical companies included: Ford Motor Company; Indra Sistemas (aerospace); Timberland, Patagonia, eBay (apparel); Accenture (business services); Texas Instruments; and American Express, to name only a few.

Summary

Implementing planned organizational change is partly a science, partly an art. It has also become part of a desired skill set—and mindset—needed by most companies, regardless of industry, size, and geographic location. While experience is important in this endeavor, knowing and using classic and contemporary wisdom from models, roadmaps, and frameworks is necessary. CEOs and practicing managers hire coaches and consultants who specialize in change management to help diagnose, plan, and implement individual, group, and organizational changes in their organizations. This chapter introduces the art and knowledge of implementing change.

Building on the first two chapters, we go inside a big-picture change roadmap to show how three CEOs (Mulally at Ford, Bossidy at AlliedSignal/Honeywell, and Andrea Jung at Avon) used coaches, theory, expertise, knowledge, and courage to successfully plan, execute, and transform companies that were in trouble financially, operationally, and strategically in their marketplaces. We show how change champions can use these same skills and capacities such as visioning, developing a mission and new values, motivating change, developing political support, mapping and managing stakeholders, and leading the actual transition.

To effectively lead and manage the implementation process, it is also important to (1) keep the big picture in mind; (2) choose the right interventions; (3) use a sound change model to plan and manage the change process; (4) keep people engaged and make the incentive for change greater than the incentive to stay the same; and (5) identify and manage resistance to change. This involves understanding how to align an organization's new vision, mission, and values to fit its strategy, culture and people, structure, and operating systems—as exemplified in the stories of the three CEOs Mulally, Bossidy, and Jung. They also had to change their own mindsets—become the change they expected of those whom they led.

The chapter also shows what is involved in structuring and assigning individuals and teams to help drive the change. This involves selecting a sponsor from the organization who can be trusted and who is able to oversee the entire change process. Then an Executive team that works with Leadership and Consulting Project teams must be recruited to educate, communicate, motivate, and manage detail activities to make the new vision an organizational reality.

Finally, we discuss how to effectively lead and manage internal and external stakeholders during the implementation process. This requires recognizing and dealing with politics, power, and conflict to ensure ethical and collaborative cultures and practices in all change efforts.

Learning Objectives Recap

1. The implementation process transitions the organization to a new vision and future state. Implementation occurs when leaders and change teams facilitate new ways of thinking, different strategies, reinvigorated culture, and aligned internal systems for the organization. The process requires leadership skills, intelligence, courage, and collaboration.
2. Upon identifying the initial need for change, the nine steps in the roadmap for change are as follows: prepare to lead the change; create organizational vision, commitment, and capability; assess the situation to determine design requirements; design the desired state; analyze the impact; plan and organize for implementation; implement the change; celebrate and integrate the new state; and learn and course correct.

3. Cummings and Worley's five dimensions of leading and managing change include: motivating change, creating a vision, developing political support, managing the transition, and sustaining momentum. Motivating change involves creating readiness and overcoming resistance to change. Creating a vision incorporates mission, outcomes, conditions, and goals. Finally, managing the transition involves activity planning, commitment planning, and management structures.
4. Implementation is the integration of intent, people, and delivery. Intent is the defined, shared vision; people are the human resources needed for the change; and delivery involves governance, reporting, and resource allocation. The integration of these three components aligns the major dimensions of the organization to the new vision.
5. Once good leadership and vision have been established, the organization should be aligned to the change strategy. In order to achieve the new vision, a shift in organizational culture will often be necessary. Finally, the organization's systems and processes must also be aligned to the vision and strategy. These components are interrelated, and the leader must align all aspects of the organization to achieve the most effective change.
6. Leadership roles include: sponsor, executive team, leadership change team, and change consultant and project team. The sponsor is the highest line of authority and is the primary source of communication, direction, and coordination. The executive team is the organizational senior managers who authorize and fund the change requirements and maintain operations. The leadership change team is a cross-functional team that works with the executive team to develop the change strategy and model the roles. Finally, the change consultant and project team deals with the process and technical aspects of the change, integrating design and implementation of change activities.
7. A successful change leader is highly competent, well positioned to lead change, well-respected and well-liked, trusted by others in the organization, and has a history of accomplishments related to the organization's mission.
8. Stakeholders can often make or break a change implementation effort. Good change leaders recognize the importance of influencing stakeholders toward the change efforts. Conflict often exists through resistance to change and must be carefully and appropriately managed to unite all efforts toward the change.
9. Collaboration is the cooperative efforts taken toward common goals. Change cannot be successfully implemented without collaboration. It is a planned effort that requires commonality and unity of purpose. Good collaboration involves tuning in to the environment, challenging the prevailing organizational wisdom, communicating a compelling aspiration, building coalitions, transferring ownership of a working team, learning to persevere, and making everyone a hero.

Discussion Questions

1. If you were asked to share some key points about what a team in a large company charged with implementing a transformational organizational change could expect from the implementation stage, what would you say? (Identify some key points about implementation that you would offer, based on this chapter.)
2. Discuss what needs to be *aligned* in an organization and *why* for a significant organization-wide change to occur and to be successful.

3. Describe some key roles, relationships, and responsibilities that an organization needs to dedicate and assign to a significant change in order for the change to be planned and implemented effectively. Also, if you had to assume one of those roles, which would it be and why?
4. What should an organization's leader(s) know about power, conflict, and collaboration before planning and implementing a large-scale change? State what you would say to inform the leaders on this matter.
5. If the CEO of a small company asked you to help lay out a rough plan or map for deciding how to implement a change, what would you suggest to her, based on your knowledge of this chapter?
6. If the director of a medium sized non-profit that was highly politicized (there were groups competing and arguing among each other for resources and control) approached you to help him figure out a way to plan and implement a change that could avoid much of the back-stabbing and politics, what would you offer based on this chapter?
7. Discuss ways to help inform an organization's change committee to help them plan an implementation that would follow ethical and legal procedures.

Key Terms

collaboration	**hard goals**	**process owner**
conflict	**interventions**	**soft goals**
decisive action	**process**	**vision**

Web Links

For more on change and Avon
http://www.businessweek.com/magazine/content/07_11/b4025071.htm

For more on Alan Mullaly
http://www.businessweek.com/magazine/content/09_11/b4123038630999.htm