

Change **management** and learning



After developing a succinct vision, and designing an organizational structure that supports the vision and enables the implementation of the strategy, CEOs must prepare their organizations for the planned change and lead the transformation. Part three of a series on managing and leading people by Jon Minerich, Principal, Oliver Wight Americas, Inc.

As Mark Twain quipped many years ago, “You know, I’m all for progress. It’s change I object to.” This applies only too well in business. While most CEOs recognize the need for change to stay competitive, transforming an organization is one of the most difficult undertakings they face.

As we learned in part one, Strategy and leadership, two “truths” of organizational change are:

1. Employees will emulate the behaviors of their leaders.
2. An organization will not change until its leaders do.

It is clear, then, that managing change within an organization begins in the executive suite. In this third article in the Managing and Leading series, we focus on three key areas of change management and learning: the context for change in business; developing a learning organization as the foundation for change; and a simple change management model any company can follow to insure a successful transformation.

Understanding the context for change

There is a paradox in the life of any

business. When companies are successful, no one advocates change. In fact, there’s usually very strong resistance to change among the executives because share price is moving up, bonuses are great, and it is easy to attract top talent. No one wants to “mess with success.”

Conversely, when companies are failing, CEOs become desperate to implement change to improve business performance. Unfortunately, when implementing significant change under these conditions, the probability of success is low. Among the many reasons, it may be that top talent is leaving for opportunities elsewhere; money is scarce for projects that don’t bring immediate improvement to the bottom line; and management attention is typically short-term focused, attempting to keep the business from further deterioration.

We have a serious message for CEOs, even though it may sound counterintuitive. The probability of successfully implementing change in your organization is greatest when the perceived need for change is the lowest.

How does a CEO overcome the

natural resistance to change in a successful company? By using the vision, strategies, and values (the company’s roadmap to the future) to create the compelling case for change. In addition, the best CEOs view change management as a core competency required for all leaders, from executives down to first-line supervisors. Change is viewed as a “way of life” in the best companies, and all business improvement initiatives are viewed as change—to be effectively planned and managed.

Our research finds the most successful CEOs are very conservative when it comes to implementing radical change in their organizations. They do not implement change for change’s sake. Instead, they take a very deliberate approach, insuring there is a clear, strategic case (tied to the company’s vision) before implementing major changes in their companies.

They understand that accomplishing significant change takes time because successfully implementing change requires changing behaviors throughout the organization. These executives also understand the

maturity level of their business, and changes are carefully planned to take the organization step by step through each level of maturity (as defined in part two, Designing & Developing Your Organization).

Before embarking on a path that will create significant change, many leading CEOs ask themselves, “is the case for change driven by our vision and strategies?”

1. Does this change take us to the next Business Maturity Level, or are we attempting to skip levels with the associated, detrimental effects?

2. Can we define the organizational behaviors needed to sustain the change after the change is implemented?

3. Do we have the time, talent, and resources to implement this change?

Regardless of the change being implemented, successful CEOs focus on their people. Their goal is to have the business transformation as painless as possible for their workforce. One of the best ways to prepare the workforce for change is to develop a learning organization.

Developing a learning organization

There is an underlying truth about human behavior when it comes to change. Learning leads to understanding, and understanding leads to a commitment to change.

The CEO, as a first step, should articulate the skills the workforce needs to have to achieve their vision and should communicate the need for continual learning by everyone in the organization. This is to enable their people, processes, and technology to be adaptable to meet the ever-changing requirements and demands of the marketplace.

An effective way to enable an organization to adapt is by continuously communicating the changing market demands to the workforce so they can understand why change is necessary. Then they can adopt a philosophy of

continual learning.

Executives must commit to active and ongoing education and training programs that give employees the skills they need to meet these changing demands. These programs will show the employees how their new skills will enable them to compete in the changing business environment.

Another essential element is communication. Business books and trade journals have discussed effective communication in great detail, but a few, critical points must be emphasized:

1. All communication should be linked to the vision and describe where the change is taking the company.

2. All communication should be blunt and realistic, describing the current business environment driving the change.

3. All communication must be clear and simple. If a message cannot be stated in a few simple sentences, rethink the message. CEOs must realize their messages get diffused throughout the layers of the organization. The message received by the line worker may differ greatly from the original message sent by the CEO unless it is clear, simple, and formally communicated.

4. A CEO cannot communicate his/her vision too often. In many companies, critical decision meetings always start with a simple reading of the company’s vision, strategies, and values (the roadmap to the future). That way, all participants are informed that the behaviors and decisions demonstrated in the meeting must be aligned to the roadmap.

Following the “Proven Path” success model

An implementation model has been tested for over 30 years in a wide variety of industries, from small businesses to Fortune 500 corporations. It is simple and effective. When followed, it will ensure a

successful implementation of any major business initiative. The foundational elements of the “Proven Path” are shown in the diagram on the right.

There are three main phases—Leadership, Development, and Ownership—which we’ll briefly review:

Phase 1: Leadership

The Leadership phase is the most important and includes the following components:

1. Quick business diagnostic, comparing current operations to best practices.

2. Executive education to understand the scope of the diagnostic, the size of the gaps between current operations and best practices, and the value to their business if they close those gaps.

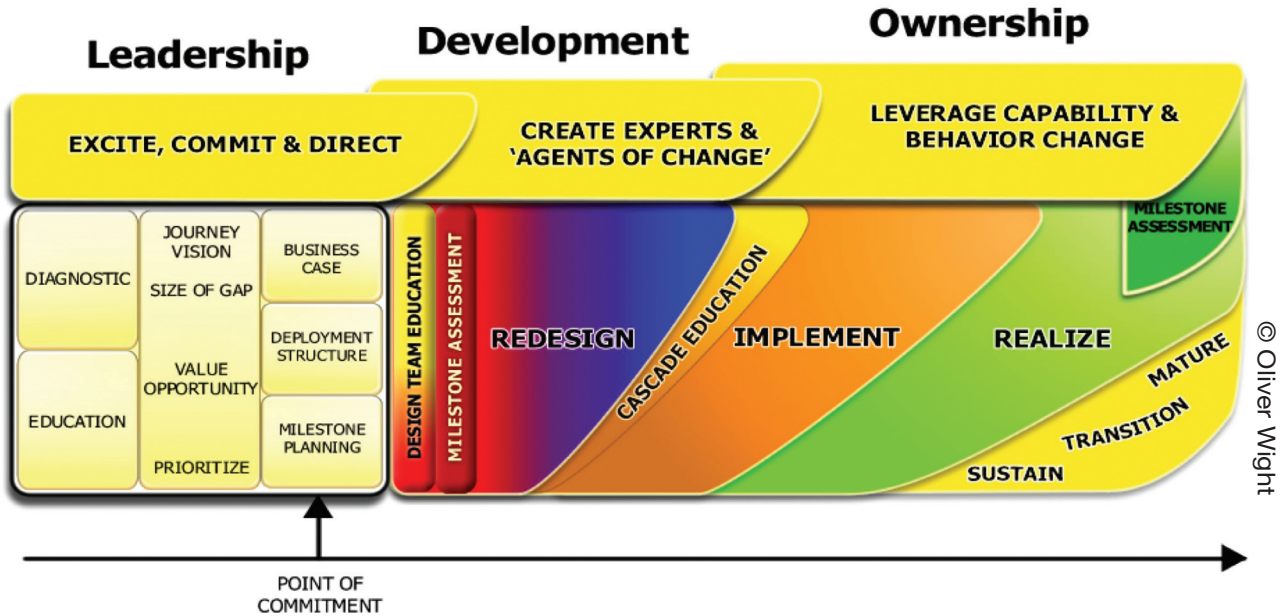
3. Establishment of the proper sequence for closing the gaps, based on the competitive priorities of the business, as determined by the CEO and his/her reports.

4. Definition and development of the business case for the planned change, budgeting appropriate resources and the creation of the appropriate implementation structure (executive steering committee, implementation team, etc.)

There is an old saying: “Top management commitment without understanding is a liability!” A commitment to proceed should be made only after all of the steps shown under the Leadership phase of the Proven Path have been completed. This “go/no-go” decision, with a formal sign-off in writing by the CEO and leadership team, is critical to the success of the transformation initiative.

Phase 2: Development

The Development phase begins once the commitment has been made. In this phase, we create a team of change agents and in-house experts that does the actual work of the business transformation. This implementation



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team should:

1. Be made up of the company’s best people—people who have the respect of the entire organization because when the workforce is confronted with major changes to their environment, they expect the best and most knowledgeable people to lead them to success.

2. Be thoroughly educated in best practices and all of the steps defined in the Leadership phase, before the team begins the process of redesigning key business processes to close the gaps.

3. Pay close attention to the integration of people and expected organizational behaviors, business processes, and the supporting technology necessary to implement the new business processes.

Phase 3: Ownership

Ownership is the final phase and is where the changes are implemented, and the benefits from making the changes are realized. Through a program of cascade education, all employees begin to understand the new business practices and behaviors needed to transform the company. The education program must:

1. Demonstrate, in digestible portions, how employees will work in their new business environment.
2. Include a broad understanding of how the company will operate.
3. Identify process changes and the behavioral changes associated with the same.
4. Clearly communicate specific roles and responsibilities.

Our recommendation is that technology or systems training should follow after the process and behavioral training is completed—it should never be before!

It is crucial that the implementation team and business process owners conduct the majority of the cascade education. After all, they are the change agents, and by teaching, they are demonstrating:

1. In-depth knowledge of the future state of the business.
2. That the transformation is owned by the company leaders and not some outside consultants, and
3. They are sending the message that the business process owners are accountable for sustaining the changes.

During this phase, it is crucial that top executives look for and reinforce the changes in organizational behavior defined in the future design of the business.

Conclusion

Many CEOs attempt to change their companies either through a series of quick fixes or complex business models. History has demonstrated that most of these attempts fail or, at best, the benefits from these attempts are only temporary.

All successful business transformations we have witnessed are based on a simple transformation model that focuses on the education and development of people and is tied to the company’s vision.

I will always remember an old friend and mentor who taught me: “Things are easy to fix, people take time.” Invest in your people, and you will be successful! Therefore, in Part four, Developing People, we will outline the challenges of creating your workforce of the future and offer a number of effective solutions to help the CEO with this most important task. ■