

CHANGE [YOUR] LEADERSHIP

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Francis Galton: the first crowdsourcer

- Measuring the Ox: the magic of the collective



Discussion (5 minutes)

- Think of a major organizational change you've witnessed that was either a real success or a significant failure.
- What happened to make the change a success or failure (leadership, information, culture, employees, etc)? What would you have changed?

The Miserable Majority

- IBM's study of 1500+ change practitioners: 41% of projects met their objectives (2008)
- McKinsey's survey of 1546 executives: 30% -- my change was "completely or mostly successful"
- John Kotter: 70% of all change initiatives fail

Change approaches, paradigms, systems...

- Every approach to change is an (implied) answer to the question “What is the problem with change?”
- Before you choose an approach, make sure you agree with its conclusions.

Formal Change Management plan

Initiation

Envision

New ways of doing business

Change Plan

Goal Alignment

Communications Plan

Documented Change Plan

Leading / Lagging Baseline Metrics

Implementation

Process Changes

Cognitive Process Maps

Operational Process Maps

Business Interaction Maps

Transition Plan

Technology Changes

Implementation Plan

Training

Pre-Implementation

Post-implementation

Cognitive Skills

Technology functions

Institutionalization

Continuous Innovation

Incentives and Rewards

Process Transitions

Crowd Sourcing and Open Innovation

Validated Success Metrics

Leading / Lagging Measurements

Scorecards and Dashboards

Consistent, Visible, Ongoing "Top Down" Executive Leadership

- What root problem is this model trying to solve?
- Is there anything missing?

Characteristics: Change Leaders & Managers

Change Leaders

- Believe that people are the organization's greatest asset
- Protect the organization's culture while creating change
- Implement change incrementally but present the complete plan for change upfront for everyone
- Assume responsibility for the organization's plan of change and nurture and guide its implementation

Change Managers

- Believe that people are the major source of problems
- Focus on problem-solving: culture is a given
- View organizational problems as barriers to change, and take them on as they appear
- Manage problems and change through the structure of the org chart; delegate responsibility

What's the problem?

Change

Management:

Get the right process into place, and you'll solve your people problems.

Change

Leadership:

Get the right people in place, and your change problems will diminish.

3 Ingredients of Change

Organizational Norms:

- **Who** leads change and how?
- **Why** and when do we change?
- **How** do we approach it?



Cultural
Mindset

WHO

A leader is a dealer in hope.

--Napoleon

The Miserable Majority: “Who”

“Finish Line” Leadership

- Define the problem and the solution, set the process, and delegate.
- Leader’s value = define “how”
- Focus energy on convincing, motivating or prodding the workforce to come along

Change Leadership

- Define the opportunity and who best can leverage it
- Leader’s value: model the process and stay focused on “True North”
- Focus energy on getting the right people on the bus

What does a Change Leader look like?

- We follow those who are authentic, vulnerable and driven
- We listen to stories
- We pay attention when it's personal



They walk the talk

Traditional change manager

- ❑ You will do this, and I will measure you.
- ❑ This is my team's change. They're accountable.
- ❑ I've set the process. Follow it.
- ❑ Information: "need to know"
- ❑ Our business objectives require this
- ❑ "Genius with many assistants"

Change leader

- ❑ I will do this, and you will measure me.
- ❑ This is my change. I'm accountable.
- ❑ I'm modeling the process. Follow me.
- ❑ "Default to open"
- ❑ Who we are requires this
- ❑ Organizer with many geniuses

Take Accountability

- The power of a public declaration: “I own this”
 - ▣ If it fails, I’m responsible.
 - “Realigning the organization’s spine”
 - ▣ Traditional approach: change “delegation”



Tell the story

- Besides being the primary example and ultimate accountable party, change leaders are also story tellers.
 - ▣ Problem, and, especially, the cultural opportunity
 - ▣ The Orchestra Metaphor
 - ▣ The leader's meta-story (the tales they tell about you)



Jim Collins: L5 Leaders

Level 5 Leaders

- The Window and the Mirror
- The Stockdale Paradox (Admiral John Stockdale)
 - ▣ “You must never confuse faith that you will prevail in the end – which you can never afford to lose – with the discipline to confront the most brutal facts of your current reality, whatever they might be.”
- Plow horses vs show horses

“Getting the right people on the bus”

- The first question: “who,” not what
- Packard’s Law
 - ▣ Your ability to grow is determined primarily by your ability to get the right people
- If you could get them fully bought in, who are the people that could ensure your change would be successful in the organization?
 - ▣ Get them on the bus, and let them drive



Nucor Steel: Changing industries

- Problem: mediocre in their industry
- Opportunity: they could be the best at adapting new steel technology to dominate the U.S.
- First question: Who?
 - ▣ Acquiring new steel mills: “Farmer’s work ethic”
 - “Hire 5, pay them like 8, work them like 10”
 - ▣ High turnover in first few months, then stabilization.
 - ▣ Went from last place to beating Bethlehem Steel within 15 years.

Baker Hughes: Focusing on “Who”

- Cross Functional Leadership Councils
- Crowdsourcing and Innovation Workshops
 - ▣ Address a specific challenge as a group
 - ▣ Virtual contests to source solutions to a problem
- Strategy Workshops
 - ▣ 3 Day events with 50-100 employees
 - ▣ Look at competitors, strategic needs, to craft plans for coming year

Google's "Who": Hire Founders

- Value employees who view the business as, and act like, a founder
- Hire 90th percentile performers who do great work right away
- Bock: "Give people slightly more trust, freedom and authority than you are comfortable giving them. If you're not nervous, you haven't given them enough."

Optum Technology

- Employee Engagement Team
 - 40 employees selected from all business lines
 - Work 8-10 hours a month
 - Communicates results of transformations throughout the organization
 - Identifies new opportunities based on employee survey
 - Team renewed each year to match the right people to current projects

SUMMARY: WHO

- Change Leaders:
 - ▣ Practice the Window and the Mirror
 - ▣ Are storytellers
 - ▣ Take ultimate, public accountability
 - ▣ Model the change they want
 - ▣ Embody the Stockdale Paradox
 - Ultimate faith + total commitment to brutal reality

WHY

People change for two reasons. Either crisis pushes us, or opportunity pulls us.

--Randy Pennington

The Miserable Majority & “Why”

Miserable Majority

- Focus on “keeping up”
- Not connected to the organization’s culture, mission or values
- No invitation to be a part of something bigger than the individual
- Technology is “why”

Change Leadership

- Focus on opportunity and strengths
- Directly supports the mission and values
- Focuses on inviting the right people on the bus
- Technology is never an end in itself; it accelerates change

“Why” as the center: Andragogy

- Malcolm Knowles (1984): the science of how and why adults learn
- Adults need to own their learning, which is usually experiential in nature, and driven by the need to solve a pressing problem with personal meaning.



Randy Pennington

- “Change Leadership is aligning the change to your mission, vision, and/or values. If the change doesn’t advance your mission, move you toward your vision, or help you better live your values, why are you even considering it?”



Simon Sinek: How great leaders inspire action (TED)



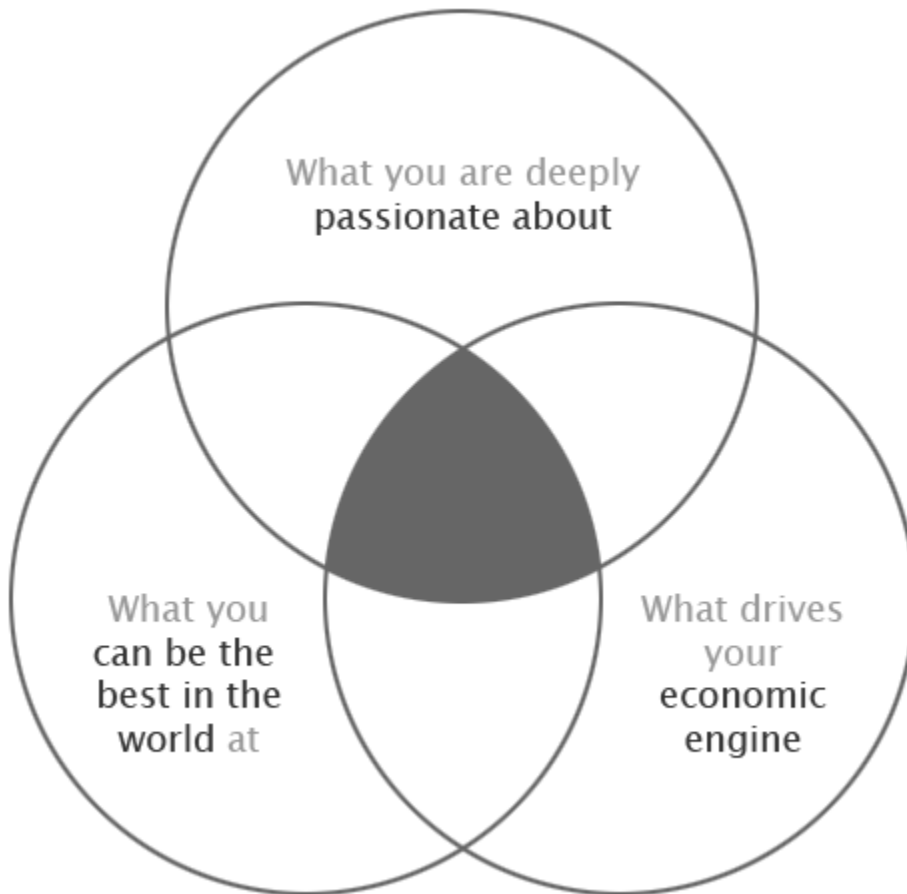
“People don't buy what you do; they buy why you do it.

– Simon Sinek

- Why attracts those who believe what you believe
 - ▣ Apple: “Think Different”
 - ▣ Samuel Pierpont Langley vs the Wright Brothers

The 3 Circles

- Collins: The 11 “Good to Great” companies all focused their efforts within the 3 Circles

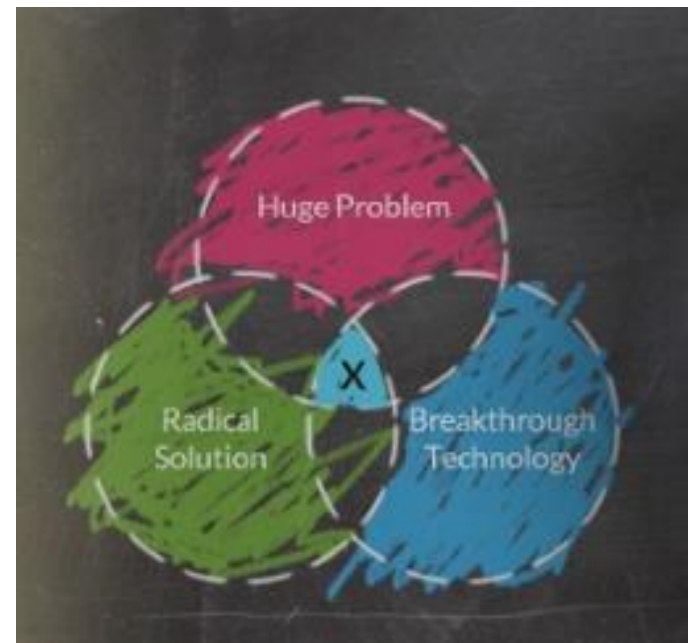


For the people you want on the bus, change in the gray area requires no explanation

Google: The mission is the “why”

- Their mission is purposefully moral and purposefully huge: **“Organize the world’s information and make it universally accessible and useful”**
- They hire people who will own it and build “moon shots” to achieve it.

- What is “change” to them?



Baker Hughes: Culture fit

- Change: $E = Q \times A$
 - ▣ Effectiveness = Solution Quality x Solution Acceptance
 - Quality: “the organization’s ability to develop the right solution matched to the problem and the culture.”
 - Acceptance: a world class network of creators

Texas Commerce Bank

- CEO Marc Shapiro: redesign all processes.
Goal: \$50 million cost reduction
- Effort fails. Influencers: goal doesn't work.
- Shapiro listens to concerns and pivots
 - ▣ New goal: "Eliminate what annoys customers and employees"
 - ▣ Outcome: \$50 million quickly met and exceeded; organization-wide improvements

SUMMARY: WHY

- People change because they believe in the “why”
- Technology is never the “why”
- If a change doesn’t directly support your mission, it is destined to fail
- The most effective organizations shape their “why” using the 3 Circles

HOW

Those who launch revolutions, dramatic change programs, and wrenching restructurings will almost certainly fail to make the leap from good to great.

-- Jim Collins, Good To Great

The Miserable Majority: “How”

Miserable Majority

- ❑ Change is a project plan
- ❑ Change is aspirational
- ❑ Measures people
- ❑ Change is an event
- ❑ Change is organized through a complex process

Change Leadership

- ❑ Change is a flywheel
- ❑ Change is brutal facts
- ❑ Measures economics
- ❑ Change is debate
- ❑ Change is defined by a radically simple concept

“Fanatical Dedication to Brutal Reality”

- Ray Dalio: manager of Bridgewater, most successful hedge fund in history (\$45 billion)
 - “Pain + reflection = progress”
 - A culture of rigorous transparency, honesty and learning
 - Dalio: “Embracing your failures is the first step toward improvement.”
 - 35% of new hires quit or are let go within 18 months

“Fanatical Dedication to Brutal Reality”

□ Google

□ Weekly all staff meeting

- 30 minutes Q&A with CEO, “no holds barred”

□ Googlegeist: employee-designed survey

- 100 questions determine all cultural change

- Example: PM system. Went from 50% to 85% satisfaction in 3 years.

Good to Great: 11 companies

- Focused just as much on what not to do, and what to stop doing, during their transformations
 - ▣ Scant attention to managing change
 - ▣ No tag lines or launches
 - ▣ Slowly, even imperceptibly, building momentum, one push at a time



4 practices to build a climate where the truth is heard

- Lead with questions, not answers
 - Discussions and debates
 - Informal, “agendaless” meetings with managers and employees
- Engage in dialogue and debate, not coercion.
- Conduct autopsies, without blame
- Build “red flag” mechanisms



Unwavering faith: “We will prevail”

Ward's transformation to Circuit City

- ❑ 1973: Ward's – a failing collection of electronics and appliance stores, close to bankruptcy.
- ❑ By 2000, it had been transformed and beat the market an average of 22 times over 18 years.
- ❑ Alan Wurtzel on how to turn it around: “I don't know. Help me understand.”



The Hedgehog Concept

- “The fox knows many things, but the hedgehog knows one big thing.” – Isaiah Berlin
- The 11 companies in “Good to Great”:
 - ▣ All simplified a complex world of options into one simple, organizing idea, based on the 3 Circles
 - ▣ Whatever doesn’t relate to this “Hedgehog Concept” is ignored.



“Y per X”

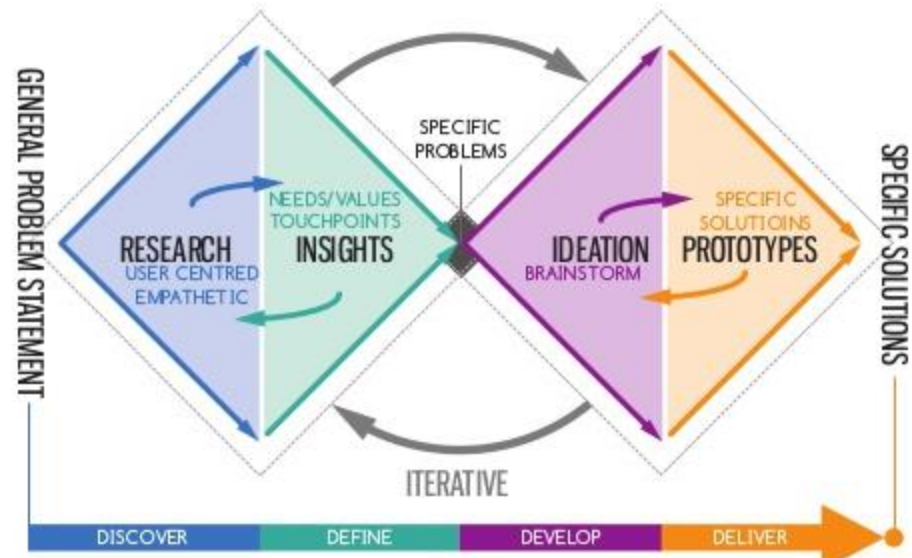
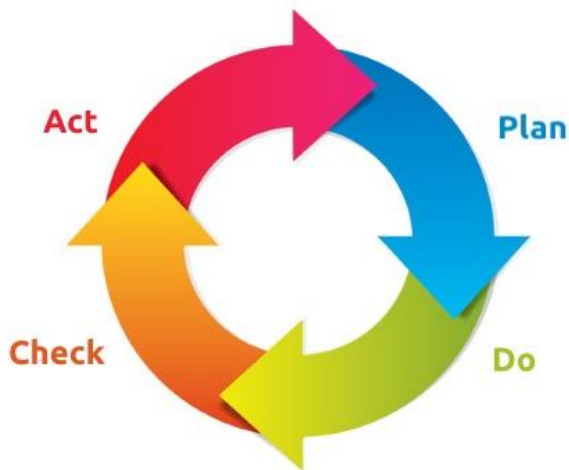
- Hedgehog concepts are economic – they understand what the current state produces, and how the future state must change
- If you could only pick one ratio (“profit per x”) to systematically increase over time, what would have the greatest, most sustainable impact?

Examples of “Y per X”

- Walgreen's: switched from profit per store to profit per customer visit
- Wells Fargo: facing deregulation, they switched from traditional banking thinking (profit per loan, profit per deposit) to profit per employee.
 - Result: the first network of ATMs
- Nucor: economic engine required combo of strong work ethic culture and application of advanced technology.
 - Result: profit per ton (not per employee or per fixed cost)
- Kroger: From profit per store to profit per local population. If you aren't #1 or #2, you will fail
- Pitney Bowes: Shift from profit per postage meter to profit per customer
 - Result: PB shifted from the ailing meter business to upselling customers on many back office technologies, thanks to their established relationships

Experiment

- When change is a dialogue based on asking questions, it develops a culture of trusting people, rather than the process.
- Freedom to experiment, rather than coming up with and committing to “the Answer.”



SUMMARY: HOW

- Change requires a radical dedication to brutal facts
- Great organizations
 - ▣ focus just as much on what not to do or stop doing
 - ▣ build a climate of questioning, dialogue and experimentation to arrive at change
 - ▣ Design a Hedgehog Concept for their transformations, based on the 3 Circles