Breakthrough Transformation

Leading Change: The "Early Days"

One of the themes in all our classes is a focus on how successful leaders actually change organizations. Graduates of our Advanced Management Skills Program (our public program offered twice a year) or our internal Corporate Universities learn how leaders like Archie Norman, Jack Welch, or David Marquete (see adjacent book review of Marquete's turnaround journey aboard a nuclear submarine) successfully transformed change resistant organizations. They also learn how flawed leaders like Carly Fiorina failed in their efforts to transform organizations. The role of leaders in actually leading change from a principled, intellectual and moral position is actually rather recent.

In the "old days", the eighties, when the Mahler faculty were young General Managers or consultants to GM's, it was common to view change as a problem best left to experts. Sometimes the expertise was in HR where change management became focused on downward communication to sell the change and convince people logically that it was the right thing to do; sometimes the expertise was in the universities with professors who were famous for almost literally parachuting in for an irrelevant speech that cost $10,000 a day…unless it cost more. Sometimes the experts were consultants who led the organization on a wild goose chase pursuing vision, change readiness and the like. What was missing in these early years was the leader connecting this expertise to the business realities he or she was facing. Today's successful global leaders might find it absurd, but change was often not part of the leader's responsibilities. Sure, they would say, "make it happen", but often assign the dirty part to staff with little credibility. We believe this leadership gap was the source of the old truism that 70% of all change efforts fail. Change in those days was largely leaderless and a top-down, non-democratic process. Yesterday's leaders felt that transformation required strength of conviction, a steady hand and lots and lots of communication, most of it downward.

The Emergence of an Alternative Perspective

Of course this top down thinking about how change happens was a natural outgrowth of the rapidly fading twin approaches to production: The WWII command and control mindset and Frederick Winslow Taylor's Scientific Management. These were the powerful ideas that led a manufacturing economy in the developed world to astounding improvements in productivity and standards of living. But the global economy was moving beyond the need for massive complex organizations superb at executing the same standardized approach, again and again. Educational levels were rising globally. The workers who fueled the developed economies were themselves changing, seeking more pay, more benefits, and *more meaning* from their lives than their parents and grandparents ever did. What was emerging was a massive transformation heralding the beginning of the world we now live in: a digital economy with businesses competing to meet customer requirements as rapidly as possible.

At the same time, studies began to show that addressing psychological needs of employees could also achieve performance improvements[1]. Theory bases, like Behavioral[2] and Humanistic[3,4] Psychology, and organizations like National Training Laboratories (NTL), Center for Creative Leadership and The Mahler Company arose that focused on achieving the higher motivational potential of employees. In short, as the twentieth century proceeded, educational and life expectancy levels increased as did the type and complexity of work itself. Thus the simple, mechanical productivity improvements of early industrialization gave way to more sophisticated management strategies more in line with the evolving service economy.

While this history was unfolding, several approaches started to emerge. The most prevalent was the confrontational union approach which sought, and continues to seek, industrial democracy though legal means, often derived from the conflict engendered by aloof management practices of the past.

The second was an approach pioneered by Mike Beer at Harvard. Beer, an astute observer of organization behavior, focused on how to help organizations achieve:

> …sustained high levels of performance through organizing and managing to: (1) implement its strategy, (2) elicit commitment, and (3) enable ongoing learning and change. Building [a High Commitment, High Performance Organization] requires

1 Elton Mayo, Hawthorne and the Western Electric Company, The Social Problems of an Industrial Civilisation, Routledge, 1949

2 Rogers, C. R. (1965). The place of the person in the new world of the behavioral sciences. In F. T. Severin (Ed.), Humanistic viewpoints in psychology: A book of readings (pp. 387-407). New York, NY: McGraw-Hill.

3 Maslow, A. (1998).Towards a psychology of being, 3rd ed. New York: Wiley.

4 Greening, T. (2006). Five basic postulates of humanistic psychology. Journal of Humanistic Psychology, 46(3), 239-239. doi:10.1177/002216780604600301

leaders to make a conscious choice. That choice involves promises; for example, leaders must maintain the firm's mission and cultural identify, maintain the "psychological contract" on which commitment has been built, and *allow employees to have a voice in the affairs of the enterprise.* [5] (Emphasis added)

Beer's book is really about the words in italics in the quote above: How to take advantage of the knowledge and intellect of workers in the modern enterprise to radically improve the execution of strategy. He describes it as "speaking truth to power". At the center of his thinking is how leaders "know" what is going on in their organizations. Years ago, on a walkaround diagnostic visit to the corporate headquarters of Bausch & Lomb, I complimented the new COO on the grandeur of his office. He was only in the position a few months and was, at heart, an operating guy. His answer was, "the walnut walls are great, but I don't know what is going on 'out there' anymore". The NETMA problem: Nobody ever tells me anything.

How it Works

The solution to the problem based on Beer's work is for the senior team to engage the organization directly and enthusiastically from the bottom. What this means is to first form a task force that is at least one level below the senior team. It is a good idea to include the best, most forthright and most courageous on this team, regardless of level. Next, this team is tasked by the senior team with interviewing a global cross section of associates across the company at all levels. The questions are always customized, but generally involve BIG questions such as:

1. Can you tell me what our strategy is?
2. In your view, is our strategy successful or not and why you feel that way?
3. What do we need to continue doing more of to ensure that our strategy is executed more successfully?
4. What do we need to do less of to ensure that our strategy is executed more successfully?

The task force is trained on how to conduct such interviews. They are then turned loose for two weeks to conduct the interviews.

They then meet together and are trained to have an honest dialogue with each other about what they learned through their interviews. This part sounds silly, I know. How do you train someone to have an "honest dialogue"? Don't we do that every day? Well, actually, not so much. In reality, virtually all organizations believe that dialogue is not happening unless the focal point is a dozen slides, usually vetted by a staff organization that worries what you can and can't tell the C-Suite. The result: NETMA.

To counteract this, task force members practice summarizing their interview notes by pulling out the big issues. These issues are then corroborated or discounted by the comments and observations of others on the task force.

Once they are comfortable with how such an interaction proceeds, the senior team is invited into the room and asked to sit at a "U" or square configuration of tables. The task force arranges itself inside the "U" or square, with chairs in a circle, their backs to the senior team on the outside of the "U". The rules are that the senior team receives no summary of the discussion either before or after. There are no slides, only the conversation happening inside the "U". The goal is for the senior team to really listen. As raw materials, they receive a legal pad and a couple of pens, in case they run out of ink. All must attend. No number twos as replacements. The meeting generally lasts a few hours and is facilitated by someone who has run the process before.

The senior team then thanks the task force for their efforts and dismisses them. The senior team reviews and discusses the findings, what they've learned and what general thoughts they have about how to make improvements based on what they heard. This is a facilitated process and can take several concentrated sessions.

Next, the senior team and the task force members are brought together again, this time with the task force members on the outside of the "U" and the senior team inside the "U". Now, the senior team has a conversation that summarizes their analysis of the issues they learned about from the task force. They discuss their prioritized list of issues and identify the projects that fall out of these for execution.

Conclusion

This program has been installed most famously at Becton Dickinson where Beer and his colleagues developed the methodology. It is used at BD to hone management teams, diagnose problems and quickly sort out new ways of executing.

---

[5] Michael Beer, High Commitment, High Performance: How to Build a Resilient Organization for Sustained Advantage, John Wiley & Sons, Inc., 2009

We have used this technique on a variety of consulting engagements and teach it in the Strategy and Execution module of our Advanced Management Skills Program. If you are interested in learning more, by all means read Beer's book. If you would like to discuss how we have helped clients transform their operations, email us at info@mahlerco.com.