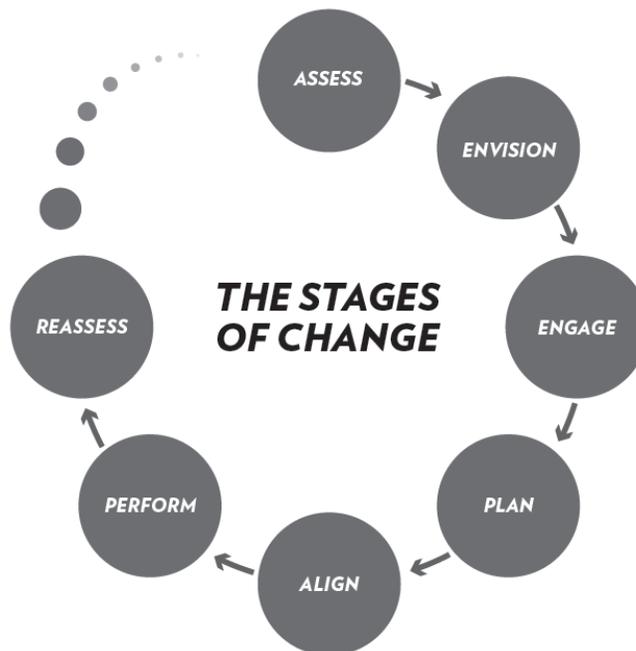


# How Effective Leaders Manage Change

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How do you engage an entire organization in effectively moving from one way of thinking about the business to another? At [LRI](#), we focus on seven stages to a successful change process, as the following figure illustrates.



**1. Assess the current state.** The first step in any change process is to agree on a set of reasons why the status quo is unacceptable. As you articulate why the status quo is unacceptable, translate those findings into rationales for change. For example, if your declining market share is unacceptable, then the rationale for change is to regain your market position.

**2. Envision the desirable future.** The next step is to envision the future you want. Your vision should reflect what you hope to achieve for your customers and for the organization. If an organization-wide change is envisioned, this vision must ultimately come from the CEO and senior management.

**3. Engage people in change.** The third step is to engage managers and staff in planning how to implement the change. The planning process should start with those most affected by the envisioned change. It may need to cascade all the way down to the front lines. The process of engagement should include those affected by the change and those whose input will be valuable.

**4. Put it in writing.** The fourth step is to document the plan – the vision, the goals, the strategies, and the action steps needed. This document can serve as the basis for further communication. As it is refined and finalized, it needs to be broadly endorsed and championed by the company's leadership.

**5. Align people around the plan.** Once senior leaders have approved the plan, make sure everyone understands the specific strategies for change. Communicate up, down, and across the organization.

Managers play a critical role in this communication—a fact too often forgotten in the haste toward implementation. Every affected manager needs to champion the change.

**6. Perform according to plan.** During this phase, people need to not only execute on the plan – they need to track whether the plan results in the desired effects. We focus on building “learning loops” where people share and discuss key metrics and indicators at regular monthly meetings. If the envisioned outcome is additional sales, are sales increasing? If the envisioned outcome is cost savings, make sure people are able to track those savings.

**7. Assess the results, then reassess your position.** During this final phase, you need to assess results. You should track both the desired outcomes and also the unseen and unintended consequences. For example, when one of our clients reengineered its sales process, it successfully reduced overall costs to the company. But the analysis showed that some salespeople were unhappy with the additional administrative work they were doing. Management invested in new online sales support software that helped smooth out the inefficiencies.

That’s the change process in a nutshell. Let’s look at some of the key factors of success.

## Key Factor 1: Assemble a Strong Planning Team

Key to effective change is assembling an influential and effective planning group that represents a broad cross section of interests. Don’t make the group too large. Ten to thirteen people is ideal. More than that, and it’s difficult to have everyone feel engaged and taking part in the conversation.

When you’re assembling the team, here are a few other factors to consider aside from their level of authority and influence:

- **A mixture of viewpoints**—People who are deeply familiar with the issue should be combined with people who have less of a stake in the solution.
- **Representation**—You want good representation from throughout the organization so that no one with a major stake in the outcome can challenge the process by saying: “You had no one on the team who represented us.”
- **Skill in group process**—Choose people who have shown they can take the time to listen and understand other people’s views, as well as be thoughtful advocates of their own position.
- **Mixture of communication styles**—Choose people who are analytical along with people who are more intuitive. Choose a few assertive voices, but balance them with people who are more inquisitive.

## Key Factor 2: Engage Your Power Sources and Stakeholders

In considering whom to engage in the change process, think about both “power sources” and “stakeholders.” *Power sources* are the key influencers in your organization, the people who control the

resources needed to make change work. They can provide money and materials, education and expertise, and political support. Engage them first if you want to be successful.

*Stakeholders* are those who stand to gain or lose if the change occurs. Internally, these are typically managers and employees in the affected areas. Externally, they may be customers, consumer groups, advocacy groups, partners, and other suppliers. Effective managers of change identify the likely losers early in the process and engage them in the process.

If this doesn't work, then they try to neutralize their effectiveness. Finding other influential champions who can control or mute their voices can be of great assistance. When stakeholders are organized and carry a lot of clout, such as unions, engaging them early on and making them part of the process is vital to success.

When you engage with stakeholders, the goal is to communicate your plans and solicit their input and make them feel part of the decision-making process. There are ways to do this that build trust—and ways that can destroy trust very quickly.

### **Key Factor 3: Manage the Decision Process**

Once the team is in place, members need to decide on their rules of engagement and make sure they fully understand the overall decision-making process—and their role in it—before they begin actual work. It's critical the planning team's decision-making responsibilities are clear. Otherwise, you'll wind up with a change process no one understands and is cumbersome to track and manage.

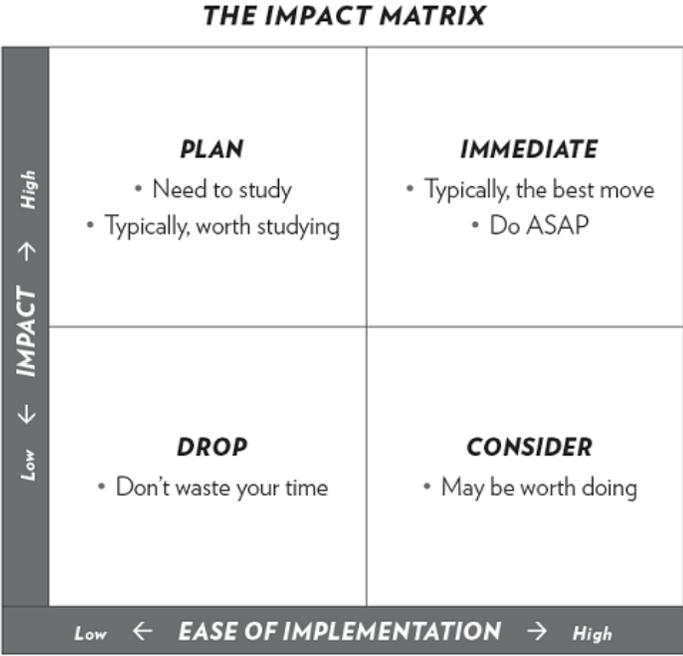
Is the team's role to develop detailed proposals to present to senior management for approval? Does the team have to reach consensus? Does it have the final say? Who will make the ultimate call? The board of directors? The CEO? Some other manager or management team? Make sure decision-making roles are clear.

Being clear up front about how the decision will be made is hugely important. Our video course "[The Art of Managing Decisions](#)" spells out the different types of decisions and how to design an effective decision-making process.

### **Key Factor 4: Focus on a Few Priorities**

Most people and most organizations can only absorb one or two large change initiatives at one time. When managing a change process, focus on one, two, or three priorities. Leave the rest for later.

The best way to identify priorities is to first do a light analysis to see whether a particular goal or priority rises to the top. If the light analysis doesn't reveal the best option, do a deeper analysis. The planning group should ask: What are the costs and benefits of implementing each option we're considering? What will have the greatest impact on our customers and our long-term success at the least cost? You don't need a detailed cost-benefit analysis; you need a reasonable estimate—enough to be able to see which option has the greatest merit.



**Key Factor 5: Keep an Eye on Your Champions**

The ongoing support and championship of the leaders in the organization is crucial to any change process. If the planning group encounters resistance, then the top leader's authority needs to be invoked. What if the champions start to wilt at this moment? Then the planning group should either wait until new champions appear—or disband. Championship from the top is essential if change is going to be real and meaningful. If the champions have vanished, there's no point in proceeding.

**Key Factor 6: The Role of Conversation**

Change happens because people talk. Conversation is the work that people must do to change. The problem is, most leaders forget that their role is to create forums where people can talk about their work, ask what could be improved, and listen to their suggestions. Without this conversation, change is not possible. (See the article "[The Importance of Talk](#)")

What are some of the characteristics of these forums? First, they are honest. There's no penalty for speaking your mind or challenging the status quo. Second, the discussion is data driven. While people

are free to speak their minds, they are challenged to explain their reasoning and the data that supports their conclusions. Third, it's grounded in the idea that the conversation shouldn't be about the work. The conversation *is* the work. From talking comes real change.

This failure to engage people in real, honest conversation saps the creative energy of organizations. It leaves people feeling frustrated. Managers pull out their hair, wondering why trust is low and innovation nonexistent. The answer is simple: the organization's leaders have failed to create the type of engagement that inspires people to learn and pour their best selves into their work.

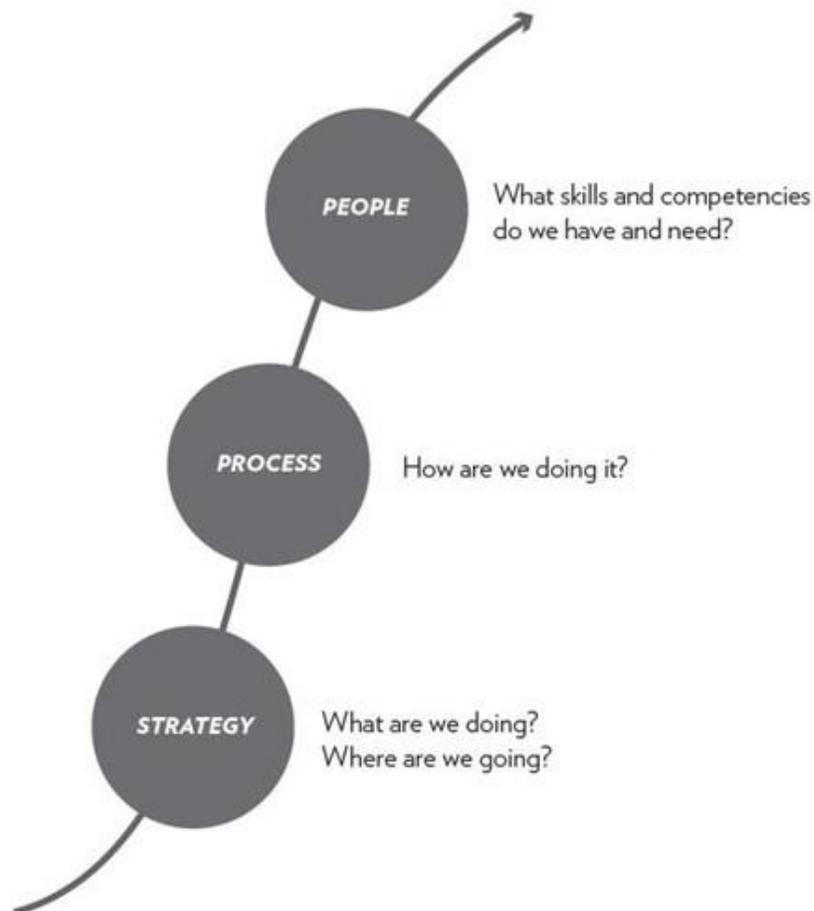
A certain type of manager squelches conversation almost by instinct. They operate out of a need to dominate and direct. They try to coerce behavior. They'll tell people they want to see a 5 percent increase in quality, or a 10 percent increase in output, without creating forums in which people can talk about how well the system itself is working, identify problems, and suggest solutions. These kinds of managers nearly always come up short—and their organizations with them.

Honest, open engagement is crucial to building a high-performing organization. A good leader understands this and creates conversational forums that embolden people to change.

## Leading Change at Three Levels

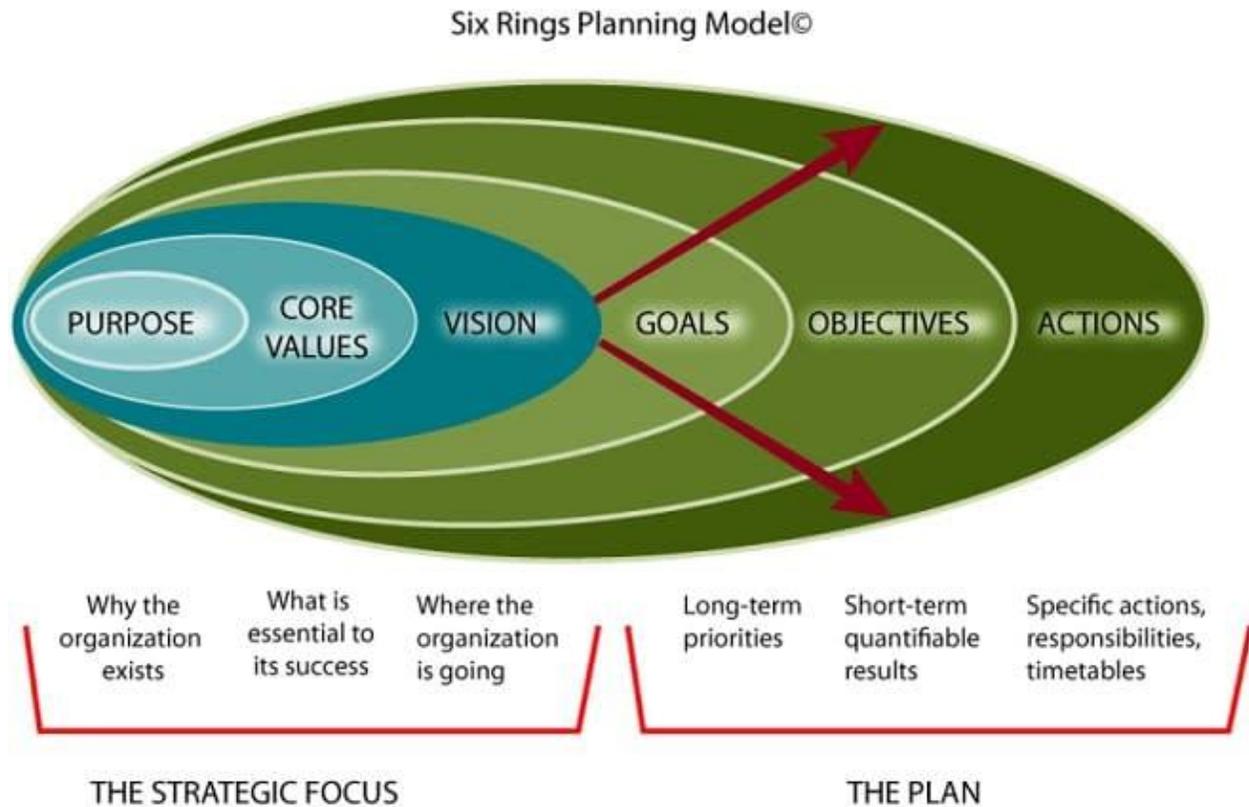
Change happens at different levels of the organization: the strategic level, process level, and the people level. Companies that accelerate change at all three levels will outperform everyone else—hands down!

### ACCELERATING CHANGE AT THREE LEVELS



At the **strategic level**, leaders should be continuously scrutinizing the environment and determining how best to capitalize on strengths and opportunities, how to minimize weaknesses and threats, and how to sharpen the focus.

- Download PDF – [The Six Rings Strategic Planning Model](#) to visualize the rings of strategic thinking.



In the 1990s, IBM’s former CEO Louis Gerstner orchestrated a remarkable turnaround of IBM. How did he do it? By sharpening the focus. Gerstner’s vision for IBM was to fulfill customers’ needs instead of create the next new technology.

When Gerstner arrived, he saw IBM’s problem as a lack of focus on the one thing that matters: customers and the value you provide them. Gerstner became preoccupied with understanding IBM’s customers and their changing needs. Over a six-month period, he logged more than a million miles of air travel as part of this quest. As a result of Gerstner’s leadership, IBM focused on providing customers with solutions, regardless of whether those solutions were proprietary to IBM. Its vaunted operating systems division was closed down, and a new global services division erected in its place.

Sharpening the focus will fuel your organization’s success, too. Companies that operate with a sense of focus deliver higher value to their customers and shareholders and create an environment in which employees feel high levels of trust and spark. By definition, when people are focused, they’re less likely to get distracted by the petty stuff.

At the **process level**, people should be honing processes to be sure they are as effective and efficient as possible. They should be monitoring performance and making adjustments to improve quality, reduce cycle time, and optimize the use of resources. There is a clear set of steps to honing business processes. The following chart captures these eight steps.

**KEY STEPS OF PROCESS IMPROVEMENT**

<b>STEP</b>	<b>KEY PRACTICES</b>
1. Examine your processes in light of your core values, purpose, and vision.	Don't start until you have a good strategic focus in place.
2. Define the result you want and the rationales for change.	Be sure to communicate these things publically to all affected. This begins the alignment.
3. Make sure there's a clear champion or group of champions.	Champions are always needed to break down resistance to change.
4. Define the sequence of deliverables: where you expect to be and when.	Don't begin the journey until you know where you're going.
5. Make sure the resources are adequate to do the job well.	Don't discount the value of expert consultants. They'll help you get there faster and with less pain.
6. Appoint a planning group to do the work and own the work.	Let those who own the work decide whether to refine, reengineer, or eliminate the process in consultation with the champions.
7. Let measurable criteria drive the success of the new process.	You are what you measure. Tie the process to measures of customer satisfaction, cost, revenue, and/or profit.
8. Communicate your progress along the way.	Make sure you continue to align the organization by telling people what's happening and what's going to change.

Download our white paper on ["Improving Business Processes to Increase Efficiency"](#)

In the early days of Southwest Airlines, Herb Kelleher and his management team wanted to reduce the turnaround time for aircraft on the ground. They set a goal of fifteen minutes. They got it down to ten.

Kelleher describes watching in awe as the maintenance supervisors and frontline employees came up with innovation after innovation to meet what was seen as an impossible standard. How did they do it? Southwest had already established a culture of decentralized decision making and performance. What was standard at Southwest was the exception elsewhere.

Finally, at the **people level**, teams and employees should receive regular communication about what's expected of them, get frequent feedback (both [appreciative and constructive feedback](#)) on what they're doing well and what they could improve, and receive the training, mentoring, and [coaching](#) they need to be more effective.

## Changing the Trust Equation

Some people are inherently reluctant to change. Others embrace it. To accelerate the pace of change, you need to change "the trust equation."

In my book, *The Leadership Equation*, I talk about how trust hinges on predictable expectations. If I do something for you, then I expect to get something in return. That's the principle of reciprocal altruism. It's at the root of trust. [Changing the trust equation](#) in an organizational setting means animating the workplace with mechanisms of reciprocity that encourage change, rather than subvert it.

First and foremost, **people need to believe that the change will result in an overall improvement** in the way the company does business. At Apple, what drove its momentous growth was a relentless focus on the user. CEO Steve Jobs created a culture that continuously experimented with new ways to surprise and delight customers.

Intel is another company with a relentless focus on change. With each new project, employees compete for positions on project teams. Those who bring the best ideas and proven skills get selected. Those who get left out are literally left without jobs. It's "survival of the fittest," and it creates a culture of continuous improvement, innovation, and success at Intel.

In the end, the most powerful way to accelerate the pace of change is to [engage people in real, honest discussions](#). Once people understand why continuous change is truly important for the company's future success, it ignites a sense of ownership. This has nothing to do with compensation and everything to do with instilling a sense of purpose. Once people see what is truly essential for the company's success, it unleashes the natural drive to improve.

With that idea in mind, it is the leader's job to make sure this honest conversation is taking place regularly throughout the organization. That means reorienting yourself to see that building systems of communication is the most important thing you can do.

## Conclusion

Just as we are always becoming leaders, we are always in the midst of change. As a leader, your challenge is to make everyone in the organization a part of this dynamic to accelerate the pace of

change. Sometimes it requires burning the bridges—tearing down a symbolic vestige of the old organization. Sometimes, as at Intel, it means telling people they have to join a new team, invent a new job, or leave. Often it means getting people to talk about issues they may initially not want to talk about.

Above all, leading change requires managing yourself differently. It means becoming increasingly aware of your own strengths and weaknesses—and learning the painful truth that you need to act in new ways in order to build trust and spark innovation.

## A Final Thought...

**A final thought:** A [skilled facilitator](#)\* can also help make sure you design an effective change process. Much as a ship’s navigator helps chart the course, a skilled facilitator should be able to help you achieve the right balance of engagement and speed. The facilitator should be able to orient the group at all times—and put each step in the journey into context. An outside facilitator can bring neutrality and a wealth of experience to the process. This creates a positive climate of trust in which people feel free to express their viewpoints.

A skilled facilitator should also help you capture the most important ideas and organize them. Ultimately, he or she should be able to help you draft documents, such as a strategic plan or action plan.

- \*LRI can help guide your organization through a facilitated change management process. Here is our list of [change management consulting services](#).