Leading Organizational Transformation

Joan Lancourt

„Breakthrough thinking," „continuous innovation," „discontinuous change," „transformation": the words are often used interchangeably, their meanings vague and imprecise. Most recently, „transformation" seems to be winning out over the alternatives. The trouble is, the word is applied to all kinds of changes: large, small, continuous, and discontinuous. The need for clarity is more than academic – if we don't know what game we're playing, we risk something akin to trying to score a basket with a tennis racket. We also risk investing a significant percentage of our scarce resources and energy in trying to make changes we are not able to implement or sustain.

In the recently published *Intentional Revolutions, A Seven Point Strategy for Transforming Organizations,*[1] my co-authors and I have developed a more precise definition of organizational transformation and an approach that increases an organization's ability to sustain that transformation. In the course of conducting research for the book, we discovered a remarkable similarity in the profiles of senior executives and the roles they played in initiating and sustaining their companies' transformations – despite the fact that the companies represented different industries and national cultures, and that no two of the transformed organizations adopted the same outward form. This article will provide an overview of our definition and of the strategy we developed, and will draw upon a number of the actual change processes we studied to illustrate the crucial roles played by senior executives in leading their organizations through sustainable transformations.

One caveat: while the focus here will be on the roles and actions of the senior executive or executive team, this should not be taken as an indication that these leaders defined leadership in the traditional, hierarchical way. Both explicitly and implicitly, their goal was to create processes and systems that fostered and relied upon leaders emerging and being recognized at every level and in every corner of the organization.

A Working Definition of Transformation

To transform something is to fundamentally change its external form or inner nature. When a caterpillar is transformed into a butterfly, its DNA may remain the same, but it undergoes a dramatic alteration. A butterfly is not a caterpillar with wings strapped to its back. Flying is not simply another form of crawling: it is an entirely different behavior, one that cannot be performed by a caterpillar.

To translate this metaphor into organizational terms, when we want managers and supervisors to become coaches and empower employees rather than be commanders and controllers, we are asking them not only to behave in a new way, but to behave in ways that contradict the way they have been taught to behave. We are also asking them to change more than one behavior. Transformation is about making multiple, discontinuous behavioral changes to a whole organism; it is about changing *systems* of behaviors. As David Kearns, CEO of Xerox, put it in the late 1970s, management had to „get a hundred thousand people to act and think differently toward the product, the customer, and each other, every hour of the day."[2]

When we talk about making discontinuous change in a whole system, we are talking about changing the social or organizational reality in which people exist. If we are serious about this, we are then faced with the task of socializing people into that new reality. Socialization is the process by which people learn how to behave in a given social context. Understanding this process is key, because if we want to intentionally change whole systems of behavior in an expeditious, effective, and sustainable way, then the „game" we are playing is one of *resocialization.* Unlike primary socialization, resocialization must not only teach the new behaviors, but also help people reinterpret – if not actually relinquish – a whole set of deeply ingrained habitual behavioral patterns and mental models. While the focus of resocialization may be the individual, the process itself is holistic, systemic, and social – an interactive dynamic that takes place between the individual and the whole of his or her environment.

Given this definition of transformation – and of the importance of resocialization as the key to sustainable behavioral change – one of the primary roles of the senior executive becomes that of designing and orchestrating a resocialization process.

A Seven-Point Resocialization Strategy

In examining how socialization actually takes place, we identified seven ways in which people are taught how to behave. When used in concert, these seven methods constitute a resocialization strategy. They are: persuasive communication, participation, role modeling, expectancy, structural rearrangement, extrinsic rewards, and coercion.

Each of these methods „communicates" behavioral messages to people, whether or not anyone is consciously Grafting the messages. It is the interaction and combination of these messages that create the „energy field" that ultimately shapes both individual and organizational behavior. Our study revealed that a recurring theme in

unsuccessful attempts to change behavior was the failure of organizations to orchestrate the messages of all seven methods in support of the desired new behaviors. Typically, organizations crafted appropriate messages in two or three of the categories, unaware that conflicting messages were being communicated by the remaining influencers. Successful transformations, in contrast, orchestrated all seven methods of influence in support of the desired new behaviors.

Key to this orchestration was the definition of the leader's role as designer and architect rather than commander. For example, Lars Kolind, CEO of Oticon, a Danish manufacturer of hearing aids, believes that it is „far more important to create the conditions for responsible and creative performance than it is to try to control everything.“[3] At Asea Brown Boveri (ABB), CEO Percy Barnevik views his role as one of creating the overall social context that will shape and reinforce desired behaviors. Consistently, these leaders understand that transformation and resocialization contains a paradox: success requires that they engage their entire organizations in a way that goes far beyond mere delegation, and yet, at the same time, their leadership cannot be delegated. It was in part their ability to manage this paradox that enabled them to successfully orchestrate the resocialization that supported transformation. On the hole, they were strongly aspiration-driven, but their visions were based on the inclusion of others. They knew they did not have all the answers they needed, or even most of them. They also knew that transformation was not something they could do at arm's length. They were in there playing by the same rules that applied to everyone else, sleeves rolled up, leading from the middle, the side, up front, or behind, as the situation demanded.

In the context of resocialization, four of the methods of influencing behavior (coercion, persuasive communication, role modeling, and expectancy) require an up-front role in which the leaders delivered direct messages or set an example with their own behavior. The other three methods (participation, structural rearrangement, and extrinsic rewards) require a more indirect approach: provision of support, resources, encouragement, and frequently participation, but only as one among others. We will look first at what the leaders in our study did up front.

Coercion. Invariably, people look at the seven methods and exclaim, „Coercion! That's a sign that they haven't done the other six effectively.“ However, coercion, which we define as „...any form of influence that plays on the fears of others when their freedom to reject the influence is curtailed,“ actually appears to be a necessary step in initiating the process of transformation. We came to this view as we began to understand the extraordinary power of existing organizational realities or cultures to maintain themselves, even when massive attempts were made to change them. Almost by definition, cultures and structures are stabilizing forces, and it is probably no accident that many leaders used metaphors based on revolution: transformation may quite literally be seen as a battle between the old and the new. Given the forces at play, coercion is often the only way to break up old frames of reference (i.e., old realities) or to break the ties with the past. The real issue, we discovered, was not whether or not to use it, but to use it in ways that would take advantage of its positive function while avoiding its negative aspects.

Lars Kolind's kick-off of Oticon's transformation began with telling employees he was „...100 percent sure that we will try this.“[4] He made it clear that there was no choice in the matter. However, he moved immediately to a highly participatory process in both the design and the implementation of the transformation. The way in which he used coercion in conjunction with participation supported resocialization by gaining and focusing people's attention without unleashing the negative aspects of coercion (e.g., dependent behavior, an unwillingness to take responsibility, a climate unconducive to learning, and driving resistance underground).

Persuasive Communication. Most change efforts begin with an attempt to use rational, cognitive information to influence people's behavior. Kick-off meetings, announcements, memos, and business cases all rely on this method. Unfortunately, behavioral change is not an entirely rational, intellectual process. It is also not a one-way process: resocialization can occur only when the multiple realities of the „audience“ are acknowledged and legitimated in two-way dialogue. Resocialization requires that we approach cognitive communication as the beginning of such a dialogue. In this context, different perspectives are not quickly labeled resistance and condemned. Rather, they become the points of engagement that lead to a deeper understanding of the issues for all parties.

Several attributes are critical to a leader's successful use of this method. First, there must be trust. Trust develops in an atmosphere of openness, honesty, and deep listening. Successful leaders were extremely candid and were not afraid to surface different perspectives. Ricardo Sender of Semco, a Brazilian manufacturer of industrial and commercial equipment, believes all information should be shared. He is even willing to accept „a touch of civil disobedience ... to alert the organization that all is not right.“[5] This illustrates a second attribute: acknowledgment of the emotional aspects of a message. Facts are often not the point. Perception is all, and people need to vent, to talk back and share concerns without fear of being judged disloyal. This, of course, takes time, a third attribute, which one company addressed by holding multiple sessions between middle managers and the executive team to fully explore and digest the business case for change.

Role Modeling. The impact of role modeling on learning new behaviors is powerful when the model is a „significant other" – i.e., someone whom we admire, whom we want to emulate, who has things we want to have, or who simply has power over us. Role modeling is effective because it „speaks" to us at a nonverbal level. It can be more authentic than words, as illustrated by the phrase „They're not walking the talk." Role models *embody* behaviors and values, expressing them not only in the obvious things they do but in the dozens of small, often peripheral actions they take. Quite literally, the lack of congruence between what a leader says and does can destroy all hope of transformation. Here, actions speak louder than words. Talk is cheap. When the chips are down, behavior counts.

Semler demonstrated this when a misunderstanding led to a union strike. His colleagues advised him to „get tough." He refused: no one was fired or punished, benefits continued, and he embodied his belief that unions have a legitimate role to play and that the situation was an opportunity to learn how to do things better. At DuPont's BelleChemical Plant, plant manager Dick Knowles was an impressive example of a leader who modeled a willingness to learn and change. When his own John Wayne behavior was identified as an impediment to improving the performance of the management team, Knowles began the hard work of transforming himself into the kind of leader whose behaviors were supportive of the genuine empowerment of his team and of the rest of the plant. No easy task, it took time, but the results were worth the effort. At Motorola, CEO Bob Galvin participated in the full TQM training course. No watered-down executive session would do. Galvin and Xerox's Kearns changed the way they conducted operations reviews, moving reports on total quality front and center. When an early leader of Xerox's total quality effort consistently modeled non-TQM behaviors, he was removed. At Home Depot, CEO Bernard Marcus personally leads many training sessions, and at Blue Cross-Blue Shield of Ohio, CEO Jack Burry repeatedly selects nonmanagerial people to help lead the changes. All these actions send messages into the organization about what the new behaviors should look like. Their power to influence others to emulate them comes from their authenticity, from the fact that they are real behaviors, not just talk.

Expectancy. One of the least understood methods for influencing behavior is the phenomenon popularly known as the „self-fulfilling prophecy." Here, assumptions made by one person about the expected behavior of the other, followed by the *actions* of the first person in support of his or her assumptions, have the power to make the initial assumptions come true. It is an awesome and insidious power because it is often almost invisible to the naked eye. For example, if we believe someone is a winner, we tend to invite him or her to key meetings, give helpful feedback, offer interesting assignments, and spend more time in conversations – all of which increase the likelihood that the person will succeed. Conversely, if we think someone is a loser, we avoid him or her and give critical feedback and boring assignments – all of which increases the likelihood that that person will fail to produce good work. The key determinant of success is not the individual, per se, but the leaders' behavior toward that individual.

The experience of Dick Knowles at DuPont is one illustration of this dynamic. Embedded in the way he treated his team was his assumption that they could not make effective decisions without him. And when his behavior made it impossible for them to take effective action, that confirmed his original assumption. However, when he changed his assumption and his related behaviors, the team behaved in accord with the new assumption. Use of Expectancy for resocialization, then, requires that leaders be aware of the subtle ways in which their own behavior creates behavior in others. Embedded in heightened awareness is the need for leaders to examine their stereotypes and old judgments, discarding or revising them when necessary. One example of this is the traditional quality assurance processes that were common in most companies. Initially they were based on the assumption that workers could not be trusted to review the quality of their work. Inspectors were introduced as part of the process. Not surprisingly, the more effective the inspectors were at catching errors, the less the workers concerned themselves with preventing errors. This, of course, reinforced the initial assumption that workers could not be trusted to review the quality of their work. Fortunately, the total quality movement has demonstrated the fallacy of these initial assumptions.

Of importance in terms of transformation and resocialization is the understanding that Expectancy is a property not only of individuals but of systems. Let us look now at how successful leaders changed some of the key systems and processes in their organizations to support the resocialization process.

Structural Rearrangement. Organizational structures are powerful shapers of behavior, and most major changes include some form of structural change. Traditionally, this has meant a shifting of the boxes and lines on the organizational chart, or a reshuffling of tensions between a geography and industry focus, or centralization and decentralization. However, in the context of transformation and resocialization, this view of structure is too limiting. A more appropriate definition includes not only work processes, roles, responsibilities, and relationships, but also the deeper structures embodied in organizational values, visions, cultures, and paradigms. *To* match the high need for flexibility, we may increasingly need structures that are more organic than mechanical. Rather than hard-wiring a structure, successful transformations are creating structures that are weblike, fluid, open, and relational.

Recognizing that hierarchies create dependent employees and behaviors, many leaders have experimented with new, flexible, emergent forms. Most have led redesign efforts that have not simply flattened the hierarchy but have engaged in a fundamental rethinking of the roles and relationships of everyone involved. For example, at Semco, boundaries in the traditional sense have all but disappeared, and the CEOship is rotated every six months among six „counselors." Oticon abolished the idea of jobs and formal structures and has moved to a project team structure in which everyone, including the CEO, is expected to work on at least one team outside their normal area of expertise. Asea Brown Boveri has redefined roles such that responsibility for entrepreneurial business plans rests with the front-line employees, while CEO Percy Barnevik and his team focus explicitly on ensuring constant organizational renewal and on finding ways to embed the corporate purpose and vision in everything the organization does.

In supporting the restructuring of the organization to elicit new behaviors, most of these leaders have played an active but not authoritarian role. As one participant among many, they each worked to reshape the organization through the active involvement of the broadest possible spectrum of employees. This combining of methods of influencing behavior accelerated the resocialization and was characteristic of their style of leadership.

Participation. In an environment of perpetual change that is increasingly rapid, complex, and systemic, participation becomes an essential ingredient for fast, flexible, responsive, high-quality decision-making. Hierarchies are too slow, and they impede the easy flow of knowledge that is key to effective decision-making. In the context of resocialization, participation is not about everyone being involved in everything, but it is about engaging everyone in the things that are relevant to their work. New large-scale meeting methodologies (in which hundreds of people can be brought together to do productive interactive work) can minimize the need to cascade or „sell" organizational visions and plans. They also become a vehicle for sharing the rich store of organizational knowledge embedded in individual experience and for incorporating these perspectives into the new shared reality. This acknowledgment of the legitimacy of individual realities has two powerful benefits: it diminishes resistance to change, and it increases the commitment necessary for transformation. Participation in a variety of activities and decision-making arenas also creates genuine empowerment. We define empowerment as a combination of a sense of personal effectiveness and self-determination and the ability to easily obtain the resources needed to do the job.

The ability of leaders to create an environment in which fluid, empowering participation can thrive is the litmus test of effective transformational leadership. As noted above, Oticon's Kolind moved immediately to a highly involving process of designing the new organization. He attributes much of Oticon's success to the hundreds of hours of discussions in which consensus was developed about the fundamental values, strategy, and structure of the organization. At Semco, Semler has created and consistently supported an environment in which virtually no decision-making arenas are exempt from employee involvement. Line employees design compensation systems, an increasing number of people set their own salaries, and everyone on a project is involved in the decision-making process. By working to make all information (including strategic plans, financial data, and salary information) available to everyone, the leaders of Oticon and Semco used a key organizational system to enhance empowerment. Again, this systemic way of using multiple methods to accelerate resocialization was characteristic of the leadership paradigm.

Extrinsic Rewards. Theoretically, most reward systems are based on a simple concept: selective reinforcement. In this model, you reinforce desired behaviors by rewarding them. However, most reward systems are not really able to do this for several reasons. Most are far too generic to provide reinforcing messages about specific behaviors. The rewards themselves are too distant in time from those behaviors to function as useful feedback. The amount of the reward is too small to motivate a higher level of performance. And a reward that motivates one person may not be what motivates someone else. Further, most reward systems are designed to reinforce current behaviors rather than to help people learn new ones, especially new ones that conflict with old behaviors.

In the context of resocialization, we have a lot to learn about how to effectively use extrinsic rewards to influence behavioral change. We need to better specify what the new behaviors are (both hard and soft); we need to tailor rewards to the individual; and we need to reward experimentation and learning, even when the experiment fails. Most companies are just beginning to explore these arenas in ways congruent with transformation.

For example, some Japanese companies „celebrate" failures because one can learn valuable lessons from them. Johnsonville Foods and Semco have involved employees in the redesign of their reward systems, and both have shifted their systems to reward team accomplishments as well as individual achievements. Furthermore, Semco has expanded its portfolio of rewards to include possibilities that range from salary and profit sharing to finder's fees, royalties, commissions, and even help in setting up one's own satellite business. Finally, by incorporating many „soft" behaviors, such as development of employees, cross-cultural sensitivity, and networking, into the performance appraisal process, ABB has been able to emphasize the importance of the soft behaviors in

contributing to both short-term and long-term bottom-line results.

As with structural rearrangement and participation, the role of the leaders in using extrinsic rewards to shape new behaviors has been that of putting the issue on the table, getting people involved, being willing to experiment and take risks, and contributing ideas when appropriate.

The Seven Methods in Concert. To orchestrate a resocialization process, a leader needs a bone-deep belief in the ultimate benefit of a broadly inclusive participatory process, as well as the ability to hold a long-term vision in the foreground, trust in the ability of people to build a successful company, patience as both employees and leaders learn new ways of doing things, willingness to listen deeply, willingness to experiment, and the knowledge that his or her own empowerment does not depend on controlling others.

Lest this appear a Herculean task, impossible for all save a few superheros, one additional piece of information is useful: the transformations we studied all unfolded in stages, and the seven methods of influencing behavior were emphasized differentially during each stage. All the transformations occurred over the course of several years, and all the organizations have reached the same conclusion: transformation will never be „done." The real challenge now is learning to cycle through the phases more quickly and easily, and learning how to incorporate a resocialization strategy into the way we think about and manage transformational change.

[1] *Nevis, Lancourt and Vassallo,* International Revolutions, A Seven Point Strategy for Transforming Organizations*, Jossey-Bass, San Francisco, 1996.*

[2] *Kearns and Nadler,* Prophets in the Dark: How Xerox Reinvented Itself and Beat Back the Japanese*, Harper Business Books, New fork, 1992, p. 147.*

[3] *LaBarre, „The Dis-organization of Oticon,"* Industry Week*, July 18, 1994.*

[4] *Ibid, p. 24.*

5 *Semler,* Maverick*, Warner Books, New York, 1993, p. 167.*

Joan Lancourt is a Principal with Innovation Associates, where she works with senior management teams to design and implement innovative organizational structures as well as to redefine leadership and teaming models to increase organizational learning, agility, and total quality. In recent years, Dr. Lancourt has focused on developing a model for sustainable organizational transformation.