Communities of Leaders or No Leadership at All

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Faced with profoundly new business realities -- unprecedented demands from global competition, new technologies, emerging markets, possible mergers and alliances, and growing environmental pressures -- many companies are falling back on old leadership habits. In particular, they seek to create more adaptive and flexible enterprises through turning to "hero CEOs" who "can deliver shareholder value." Ironically, these CEO's, in turn, are asked to distribute authority and business accountability more widely, in order that the enterprise is more able to recognize and respond to dynamic marketplaces. Many organizations soon discover that it is not possible to create less hierarchical organizations solely through better hierarchical leaders.

This is the leadership paradox of our times: enterprises must become significantly more flexible and adaptive and this will undoubtedly require deep cultural changes and strong leadership, but powerful "bosses" may actually impede the increased creativeness, risk-taking, and innovation required to become more adaptive. The success rate for top-driven changes is not encouraging: according to studies by Arthur D. Little and by McKinsey & Co. respectively, two thirds of total Quality Management (TQM) programs "grind to a halt because of the failure to produce hoped-for results."[1] The same is true for reengineering, where the success rate falls between 20 – 50%.[2] On the other hand, it is hard to imagine that the answer is less leadership.

Our experiences with many significant change efforts over the past ten years suggest that the only resolution to this paradox lies with a fundamental rethinking of what *we mean by leadership*. So long as we cling to the notion that "leader" means top manager and strong leadership means powerful executives, the perpetual search for the hero CEO will continue. Indeed, worshipping the cult of the hero-leader may be the primary cause for maintaining change-averse institutions. An alternative is to re-establish an older notion of a leader as someone who "steps ahead," who has the courage, capability, and credibility to inspire change at many levels.   This notion leads inevitably to seeing leadership as a distributed phenomenon and poses a key question: How can we better understand and nurture leadership communities, people in diverse positions

who collectively help the members of an enterprise shape their future. We argue that rather than making executives less important, understanding leadership communities clarifies the unique roles of executive leaders as well as the roles of other types of leaders -- all of whom will ultimately depend upon one another in creating successful 21st century enterprises.

The Ecology of Leadership

In particular, we have repeatedly found that three types of leaders are crucial in initiating and sustaining significant change:

- local line leaders,

- executive leaders, and

- internal networkers.

Moreover, each type of leader is critically interdependent on the others, often in ways not evident in the midst of difficult change processes. Understanding this "ecology of leadership" is the key to developing effective leadership communities.

These views expressed in this chapter stem from experiences within a consortium of companies, the first chapter of an emerging global network of learning communities, the Society of Organizational Learning (SoL). This first SoL (formerly the MIT Organizational Learning Center) involves about twenty US-based enterprises, mostly Fortune 100 corporations but also including the World Bank, the Urban League, and several agencies within the US Federal Government. Since 1991, many long-term projects have been undertaken within these organizations aimed at implementing new processes and structures to accelerate and deepen organizational learning. These initiatives have differed in terms of their objectives and specific business context, but all have been focused on crucial business issues, typically involving the redesign of workplace environments so that day-to-day work activities may also evolve as the "core learning capabilities listed below:"

- Individual and collective aspiration: clarifying personal vision, values and building shared visions;

- Reflective conversation: increasing personal reflectiveness, especially regarding individual and shared mental models, and developing capabilities for dialogue and productive discussion within work teams; and

- Understanding complexity: developing systems thinking abilities to conceptualize highly independent issues and distinguish high- from low-leverage strategies.[3]

As a non-profit research and education association, SoL provides an infrastructure that helps people to learn from each other's experience and to engage consultants to help with change efforts and researchers to better understand those efforts. Making sense of successes and failures during these profound change projects has led to identifying three distinct types of leaders: local line leaders, executive leaders, and internal networkers or community builders.

Interestingly, in some SoL member companies there have been many examples of significant change efforts that have lasted ten years or longer with neither top management support nor knowledge. Notably, there have been no examples of successful sustained change efforts without committed local line leaders.[4] The reason local line leaders are so essential to innovation is simple. All genuine management or organizational innovation concerns enhancing the processes whereby value is generated. If an enterprise does not enhance its capacity to create value -- either through greater efficiency or effectiveness in current activities or by learning how to generate totally new sources of value -- there are no consequences for those whom the organization serves, its "customers." Local line leaders are essential to innovation because they operate close to where value is actually created, at the "front lines" where products are designed, developed, produced, and sold, where services are generated and relationships with customers built. As executives know only too well, line managers shape how new ideas become or fail to become new organizational practices. Many grand strategies fail to be implemented because local line managers are not committed to executives' change initiatives. Even while paying "lip service" to changes driven by executives, and complying with their requirements, uncommitted line managers have great latitude to undermine those changes. On the other hand, committed line managers are instrumental in actually establishing the new practices and processes whereby broad change goals are translated into action and results. In addition, we have found that the role of local line leaders goes beyond implementing or failing to implement executive strategies. They are a critical source of innovative ideas themselves, both operational and strategic ideas.

Conversely, there are types of leadership that can only come from executives. These concern design, mentoring, and being role models or stewards for a higher purpose.[5] Over the long term, executives can have profound influence on the overall environment for innovation in an organization. As designers they

can focus on guiding ideas -- values, core business strategies and long-term visions, and purpose. These can orient and give meaning to day-to-day activities, on governance systems, and on other deep structural impediments to innovation. As mentors, they help line leaders relate immediate challenges to long-term aims and can play crucial roles in nurturing others' leadership capabilities. As stewards or role models, they embody commitment to change through demonstrating their own vulnerability and continual learning.

Executives who endeavor to initiate important changes often find that there is little they can accomplish without the assistance of local line leaders who are able to translate new mandates into new practices. "Anyone who thinks you can drive this sort of change from the top is wrong," says Rich Teerlink recently retired CEO of Harley Davidson.[6]   "When I first came in as CEO," says Shell Oil´s Phil Carroll, "everyone thought, `Phil will tell us what to do. `But I didn't have the answer, thank goodness. If I had, it would have been a disaster."[7] As it turned out, both Teerlink and Carroll were highly successful in helping to develop networks of talented local line leaders, both as a result of overt strategies (e.g., Shell's annual top 200 leadership conference) and as a result of their persistent encouragement to others to take initiative. Nearing retirement from Shell, Carroll reflected on his personal learning as CEO and commented about vulnerability: "You need a healthy dose of humility... The truth is everyone can see your flaws... if you try to hide them, they wonder what else you are hiding."[8]

The third type of leader is the internal networker. They represent a type of leader who is all but entirely neglected both in the literature and by many managers. Internal networkers come from many formal roles: they may be internal HR or training staff, engineers, or even local managers. What distinguishes them is their mobility, their ability to move freely within the informal networks which operate in all organizations. They play the key function of connecting predisposed but isolated line managers to new ideas and practices, and to other like-minded managers. They serve as mentors, internal consultants and "thinking partners," helping local line leaders deal with the host of day-to-day practical issues that otherwise thwart change. Yet, their importance is often overlooked, even by those with whom they work closely, because they usually do not occupy important positions in the managerial hierarchy.

Why do we call the internal networkers "leaders?" Because we have found that without effective internal networking large enterprises have great difficulty sustaining significant change. Internal networkers are crucial to the diffusion of innovative practices, as shown by research on "communities of proactive," the

informal networks through which most innovations diffuse.[9] Without effective internal networkers, there may be many "pockets" of innovation but these changes rarely add up to organization-wide changes. We call internal networkers leaders primarily because of our favored definition of leadership: *the capacity of a human community to shape its future, to sustain significant change.* To not regard internal community builders as leaders would be to ignore a critical dimension of an organization's capacity for large-scale change.

In order to better understand and develop an organization's capacity to sustain significant change it is essential to understand the dynamic interactions between these different types of leaders and the challenges they are facing. This requires a systemic view of the change processes.

Leadership and the Challenges to Sustaining Change

Starting in 1993, we began a series of research workshops with SoL members using systems thinking to better understand the forces that shape significant change efforts and how different types of leaders deal with these forces.[10] The premises underlying this ongoing study have been:

> 1. The types of change required of Industrial Age institutions unfold at the "outer" and "inner" levels. They involve changes in the systems, processes and practices that define how organizations function; but they also involve changes in beliefs, assumptions, and habits that are social and ultimately personal. Failing to understand the multidimensionality of profound change is why so many "change efforts" fail.

> 2. Leaders in such systemic change can be thought of as growing new ways of working together, rather than as "changing" old ways. This is not just a semantic distinction. Effective leaders do not try to "change people," they seek to demonstrate that something new is possible. They lead through creating the new and specifically through their willingness to change themselves, rather than through convincing others that "the others" need to change.

> 3. Thinking of change as growing something new means that processes of institutional change can be understood by analogy to growth processes in all natural systems. All growth processes in nature are governed by the interaction of self-reinforcing (positive) and balancing (negative) feedback. For example, if a biological population grows it is because there is a reinforcing process whereby more adults lead to more births, which eventually leads to more adults and still more births. Similarly, the growth of new organizational practices involves self-reinforcing processes -- such

as, new approaches leading to new results, leading to increased commitment and willingness to extend these new approaches. But every growth process in nature is counterbalanced by balancing or "limiting processes." Such limiting processes represent a system's continual seeking for balance points -- a human body's homeostatic state, an ecosystem's balance of predator and prey, or a company's historic sense of identity and continuity. As Chilean biologist Humberto Maturana puts it, "all growth occurs while it is being inhibited."

4. Leaders at all levels sustain change by helping in creating the energies (vision, passion, imagination, commitment) that generate self-reinforcing growth processes, while simultaneously attending to the forces that limit change.

5. In most situations, the greatest leverage lies in understanding and attending to the limiting processes. While many would be leaders try to overcome these limits by "pushing harder" on the growth engines, artful leaders pay close attention to the challenges they encounter, knowing intuitively that therein lie their most effective strategies.

6. Understanding the diversity of the limiting processes that profound change efforts encounter can reveal the variety of leadership strategies and leaders needed to sustain such change. In particular, it provides an initial insight into how executive leaders, local line leaders, and internal networkers depend upon one another.

So far, ten distinct challenges or sets of forces that impede significant organizational change have been identified. Each challenge arises as a consequence of some measure of success in building momentum in a change process. If no momentum develops, then these challenges are never encountered -- just as the limits to any growth process in nature only arise as a consequence of growth occurring.

However, despite the predictability of these challenges, many leaders are unprepared for them, and react in low leverage ways when they arise. Herein lies a key insight for leaders of all types: success will breed forces opposing further success. Sustaining change requires understanding the sources of these forces and having workable strategies for dealing with them. This is "the Dance of Change,"[11] the inevitable interplay between forces producing innovation and growth and forces conserving stability. "All movement occurs while it is being inhibited," says Chilean biologist Humberto Maturana. Great leaders understand this principle and learn how to work with the full range of forces crucial to long-

term change. Ineffective leaders disregard these forces, and simply keep trying to "push" their agenda, believing that their mission is to "overcome resistance to change," rather than seeing such resistance as an inevitable by-product of their own efforts, and ultimately a source of great leverage for sustaining change.

The following list summarizes these leadership challenges, grouping them in a typical sequence in which they are encountered by a "pilot group" at any level, including a top management team.[12]

Challenges of Initiating

- Time: "We don't have time for this stuff!"
- Help: "We have no help!" or, "We're Wasting our Time."
- Relevance: "This stuff isn't relevant."
- Walking the Talk: "They're not walking the Talk!"

Challenges of Sustaining

- Fear and anxiety: "This stuff is _____."
- Measurement: "This stuff is not working."
- True believers and non-believers. "We have the way" or (from the "non-believers'" perspective) "They are acting like a cult!"

Challenges of Redesigning and Rethinking

- Governance: "They (the powers that be) never let us do this stuff …."
- Diffusion: "We keep reinventing the wheel …"
- Strategy and purpose: "What are we here for?"

We are not saying that all change initiatives necessarily encounter every one of these challenges. For example, those who cannot meet the challenges of initiating are unlikely to be retarded by the subsequent challenges. Our experiences within the SoL community have shown that each of these challenges has the capability of bringing otherwise promising efforts to a halt.

Leadership Strategies

In *The Dance of Change,* practitioners, researchers and consultants map out these challenges and offer their experiences and reflections on strategies that have helped them meet those challenges.

<u>**Challenges of Initiating**</u>

No Time

The first challenge that many pilot projects confront is the lack of <u>time</u>. Trapped between the daily workload and aspirations to change the workplace, leaders quickly realize that even ideas which have broad appeal never get implemented because there is simply no time for people to even think seriously about possible change, let alone engage in serious change efforts.

Strategies to cope with the challenge "no time" depend on identifying ways that time is being wasted and strive to enable people to regain greater control over their time. The following list summarizes strategies of how to meet the challenge "no time":

- Integrate initiatives and set priorities instead of running a high number of different initiatives with no prioritization;

- Trust people to control their time;

- Value unstructured time for reflection, dialogue, skillful discussion, practice fields, learning laboratories;

- Build capabilities for eliminating busywork;

- Say "no" to political games playing;

- Say "no" to non-essential demands;

- Consciously experiment with time as a managerial practice.

No Help

The next challenge, "<u>no help</u>," stems from the fact that developing new learning capabilities is not trivial. It takes time. It takes persistence. And it usually involves coaching or mentoring from people with prior experience. This can be outside consulting help. But it can also be internal consultants or managers with significant experience from prior similar initiatives. The important point is to not underestimate the help needed. Pilot groups often have access to numerous sources of help but the quality of help matters. Not every consultant or senior manager can offer the right experience and advice. The challenge of "No help" has two sides: leaders in pilot groups must accept the fact that help may be essential for success, and they must learn to discern what kind and quality of help is needed. Finding effective help requires a team to understand its goals and aspirations and be able to articulate specific needs. Strategies for coping with this challenge are:

- Recognizing and investing in needed help early;

- Creating an internal capacity for coaching;

- Finding partners who can counsel one another;

- Building coaching into line manager's responsibilities;

- Reflecting on your own attitude about seeking help.

Relevance

The challenge of "<u>relevance</u>" stems from the fundamental question, "Why is a change initiative important for people's specific business goals and their job requirements?"   Managers often seem to think that because a change is relevant to them, or simply because they declare that "this is something we must do," the relevance is clear to others who must also commit. Yet, change initiatives championed by executives are routinely undermined when local managers do not see the relevance. If a change effort is not significant for people's practical needs, a commitment gap arises. Strategies for meeting the challenge of relevance within a pilot group are:

- Build awareness among key team leaders;

- Explicitly raise questions about relevance to the pilot group -- make the subject open and "discussible;"

- Make more information available to pilot group members;

- Keep all training linked tightly to business results;

- Be sensitive to possible perceptions that some people are getting "carried away:" people can become so enthusiastic about particular changes, like "developing dialogue," that they alienate other, less enthusiastic team members;

- Revisit relevance periodically.

"Walking the Talk"

Ultimately, all change involves risk and many people will invest themselves only to the extent that they have confidence in the people advocating the change. Whether advocates are local line managers, internal networkers, or executives, their personal credibility and perceived integrity are inseparable from the credibility of their change aspirations. If leaders are perceived as not "<u>walking the talk</u>," this will severely limit people's willingness to commit to any change

initiatives. This limit is especially important, in our experience, as it pertains to local line managers because they are the most immediate contact points for most people within the management hierarchy.

Leaders' credibility must be built continually, but people especially look to periods of stress as indicators of a person's commitment. David Marsing, Intel Vice President, describes one such experience during a difficult business situation earlier in his career as a local line manager (Senge et al, 1999)[13]:

> "In the mid-1980s, I became the plant manager of an Intel fabrication plant in Livermore, California – the facility at which we produced the 386 processor, which launched Intel´s spectacular revenue growth of that time. This plant was also the site of remarkable technical improvement, but as an eighteen-year-old facility, it could not stay competitive with new, more advanced facilities. In 1989, we were told that we would have to shut the operation down. We senior managers made a commitment that whatever we did, everybody working there would have a job. We would find them a job in the area or, if they could relocate, somewhere else at Intel. We spent two years relocating more than seven hundred people. This was a phenomenal task, but it created a core group of people, scattered throughout Intel, who helped do some phenomenal things later. At other facilities, employees would say, ´You can't trust management.´ But people who had been at Livermore would say, ´You can trust these managers, because they'll go to the mat for you.´"

Marsing's story illustrates how trust and shared responsibility built in difficult times can carry over into the future strategies for addressing the challenge of "Walking the Talk" include:

- Develop espoused aims and values that are credible in terms of the "living qualities" of the organization;

- Build credibility in organizational values and aims by demonstration, not by articulation -- remember the old adage, "I can't hear your words, your actions speak too loudly;"

- Don't go it alone – work with partners who can help you see how your own behavior may communicate messages of which you are unaware;

- Cultivate patience under pressure;

- Develop greater sense of organization awareness;

- Think carefully about your beliefs about people;

- Make room for talk about individual values;

- Cultivate patience with bosses;

- Practice shuttle diplomacy

Challenges of sustaining:

Fear and Anxiety

The challenge of <u>fear and anxiety</u> arises because, to some degree, everyone has fears of exposure, of making a mistake, of showing ignorance, or of accidentally hurting others through inappropriate candor and behavior. These are very reasonable concerns and they inevitably grow as significant change processes reveal more and more of the deeper issues. All change efforts can induce fear of the unknown. But deep change processes that eventually call into question long-held beliefs and attitudes, and habitual ways of acting (such as deferring to bosses, or bosses not having to reveal their reasoning) can be especially threatening. If fear and anxiety are not acknowledged, they become powerful limits to change.

Fear and anxiety do not have to be insurmountable limits for leaders who appreciate fear as a potential source of awareness. As they say among mountain climbers, "those without fear are the first to die." Fear is a healthy reaction to the unknown. Fear only becomes counterproductive when it is unacknowledged and then begins to occupy people's minds. But, fear and anxiety must also be dealt with gradually. Trust is not built in a day. Impatient managers often want to "solve this trust problem" like they would attack other, technical problems. Several years ago, a CEO in a SoL company learned from consultants about several difficult issues that members of his team considered "undiscussable" in his presence. He was upset at hearing this and declared, "We will solve this problem. We'll put each of these issues on the agenda of our next staff meeting." Needless to say, this did not make matters better. The fear that was making these issues undiscussable in the first place was only intensified by the boss confronting people directly demanding open discussion.

Strategies to cope with fear and anxiety include:

- Start small and build momentum before confronting difficult issues;

- Avoid "frontal assaults" on people's anxieties: safety cannot be commanded;

- Set an example of openness;

- Learn to see diversity as an asset;

- Use breakdowns as opportunities for learning;

- Do everything possible to ensure that participation in pilot groups and change initiatives is a matter of choice, non-coercion;

- Remember that skills matter: inquiring effectively into complex issues requires individual and collective capabilities that take time to develop[14] ;

- Work to develop a common frame around vision and current reality;

- Don't shoot yourself in the foot and push even harder;

- Remind people that fear and anxiety are natural responses to the precariousness of a learning situation.

Measurement

The challenge of <u>measurement</u> arises for two reasons. First, promptly after a change initiative begins, some people expect to see improved business results. However, there are usually significant time delays – anywhere from a few months to even years – in implementing new business practices. The "result gap" between expected results and actual results often drives negative assessment within a pilot team, and especially outside the team. In addition, negative assessments can arise because traditional metrics used to judge performance might be inappropriate to new ways of working together. For example, the Epsilon product development team, developing a new model year car, achieved significant improvements in many measures of cost, quality and timing.(Roth, G. and Kleiner, A. 1999)[15] Yet, there were also side effects of their improvements that made things look worse by some traditional measures. For example, they set a new record for on-time completion at a significant prototype stage. The Epsilon team had 88% "parts on time", compared with a company-wide average of under 50%. The team members regarded this as a great achievement and evidence that the changes in their teamwork were paying off. However, completing more of the prototype on time created other problems -- notably, it led to a surge in "change requests" (CR). The CRs were the official documented reports by an engineer that alerted others to a possible problem.. However, CRs in this case, increased because all the engineering sub-assembly teams could now see the work of the others, and they quickly discovered many potential problems that would have otherwise only shown up much later. The team members regarded the increased change orders as a positive development (Roth and Kleiner 1996: 75)[16] but outside the team, the high number of CRs was

seen as a major problem. The program was labeled as "out of control" because of the numerous change requests.

Strategies for meeting the challenge of assessment and measurement include:

- Appreciate the time delays that are involved in profound change;

- Build partnership with executive leaders around assessing progress, as well as assessing the assessment process;

- Become proactive around assessment: make assessing progress a priority among advocates of change.

- Learn to distinguish the needs of those participating in a change effort.

"True Believers and Nonbelievers"

It is common for highly innovative pilot efforts to degenerate into "True Believers and Nonbelievers." When this polarization occurs, not only do those innovating find themselves in difficulty but the likelihood of insights spreading more widely declines considerably.

Self-confidence is vital for innovators. But it can also have a "dark side," breeding arrogance and isolation. As transformation initiatives achieve significant changes, the innovator's confidence grows. This comes from two sources. First, as new learning capabilities develop, members of the team experience the dynamic of confronting important issues in new and more effective ways. Second, as team members see improved business results, they have evidence that they are in fact enhancing their capabilities. However, there is a thin line between confidence and arrogance, and often little recognition of when this line is crossed. The more time the pilot group spends in isolation and the more they develop their own unique ways of operating, the more distanced they can become from the rest of the organization. Dynamics on both sides of the gulf reinforce this isolation, and make the gap wider. Both sides can feel an almost irresistible pressure to defend themselves. Ironically, the deeper the changes that occur in a pilot group, the more easily they can feel disconnected from the larger organizational mainstream. To a certain degree, these problems are inevitable as Art Kleiner shows in "The Age of Heretics,"[17] these dynamics have existed throughout the history of organizations and industrial corporations.

To the degree that innovative pilot groups create sub-cultures with norms and ways of working together that differ from the organizational mainstream, the challenge of "insiders and outsiders" is inevitable. But, it need not escalate to

dysfunctional polarization if leaders understand and recognize these dangers and develop strategies for dealing with them. Some of these strategies include:

- Leaders becoming "bicultural:" developing capabilities not only to operate effectively within new subcultures created within innovative pilots but also to cross boundaries and operate effectively and respectfully within the mainstream organizational culture;

- Seek mentoring from other leaders, especially those with high credibility within the mainstream culture;

- Build the pilot group's capability to engage the larger system;

- Cultivate reflective openness;

- Respect people's inhibitions about personal change;

- Develop language consciously and be careful about the use of exclusive jargon;

- Lay a foundation of transcendent values that can incorporate those involved in innovative pilot efforts without demonizing those outside.

Challenges of Redesigning and Rethinking

Governance

Innovative groups sooner or later find themselves caught up in issues of accountability and power; these represent the challenge of <u>governance</u>. It may happen when they press for more autonomy, feeling that they have the ability to make decisions on their own due to their increased capabilities. It may happen when they cross organizational boundaries. Sooner or later, even pilot groups with high levels of autonomy will expand their activities so as to affect other parts of the company. When any of these scenarios develop, pilot groups will encounter the organization's current governance system and the reality of the power structure. Issues around governance are not just vital for pilot groups – they also occupy the time of many executives concerned with designing enterprises better suited to today's marketplaces. Indeed, the "pilot group" may be the top management team, wrestling with such design issues. "We're not trying to eliminate control in our organizations, " says former Hanover Insurance ´CEO Bill O´Brien "The movement of increasing localness is really about replacing hierarchically imposed control by increased self-control. This is a far more difficult challenge than merely giving people authority to make decisions."

Strategies for meeting the Challenge of "Governance" are different for the pilot leadership group and the executive leadership:

for the Pilot Group:

- Pay attention to your boundaries, and be strategic when crossing them;

- Articulate the case for change in terms of business results;

- Make executive leaders´ priorities part of your team's creative thinking;

- Experiment with sponsored cross-functional, cross boundary teams

    for Executive Leaders:

- Begin at the beginning with governing ideas that articulate a coherent philosophy regarding the sources and uses of power;

- Develop specific structures that guard against "authoritarian drift," the gradual concentrating of power in higher levels

- Deploy new rules and regulations judiciously;

- If you are sincere about the orderly distribution of power and authority, be prepared for a long journey and don't embark alone.

Diffusion

The challenge of <u>diffusion,</u> the persistent concern that there is much new knowledge being generated within the organization that never escapes local "pockets of innovation," is one that many executives wrestle with. This concern is one of the major reasons for investment in "knowledge management systems." This is an effort to deploy information technology to "capture, store, and retrieve" organizational knowledge. The fact that many such investments are major disappointments reflects the reality that the deeper challenges of diffusion are social not technical. Symptoms for this challenge are the "Not invented here" (NIH) syndrome, "reinventing the wheel," and a host of invisible symptoms like the absence of vibrant internal learning communities or the assumption among innovators that no one really cares about their efforts. Diffusion of knowledge won't just happen because the CEO says it should, or because new information technology is "ordered up" by management. Ultimately, meeting the challenge of diffusion effectively depends on creating an organizational climate that encourages risk taking and sharing, that values the diversity of ways that people learn, and fosters a healthy balance between competition and collaboration. None of this is easy, but leaders can start by concentrating on tangible changes in learning infrastructures that encourage

people to cross-functional boundaries and to engage in mutual learning processes. Strategies for meeting this challenge are:

- Legitimate and value network leaders as carriers of new ideas and as coaches;

- Pay explicit attention to existing communities of practice, informal webs of people in an organization as channels for diffusing knowledge and information ;

- Release information widely about new innovations;

- Periodically, get "the system" in the room by gathering people from across functional boundaries for collective inquiry into mutually important topics;

- Design more effective media for internal information exchange;

- Cultivate "appreciative inquiry": other people are probably not as crazy as they seem.[18]

Strategy and purpose

Lastly**,** the challenge of <u>strategy and purpose</u> arises in different ways for each different type of leader. Today, the field of strategy and strategic planing is in a state of turmoil. Many leading thinkers, including many within executive ranks, now realize that markets are too dynamic to "figure it all out from the top." Even if the top could figure it out, by the time the brilliant strategy reaches the front lines, everything may have changed. As leading strategist Gary Hamel puts it, "the bottleneck is at the top of the bottle."[19]

For top management, the primary challenge is rethinking the strategy process. It is not that all strategic thinking should be left to people at the front lines, where the primary concerns are short-term.. But the crafting of strategy, or the nurturing of effective emergent strategies, must become a two way street, with more give and take among all levels of management. Pilot groups with significant practical successes invariably find new aspirations emerging. They begin to live with basic questions like, "What do we really want to create?" But for local groups to articulate new business visions can be seen as significantly overstepping their mandate. Moreover, these pilot groups may be unaware of many things, from market and technology trends to internal political dynamics, vital to pursuing new strategies. Lastly, behind many questions regarding strategy are even deeper questions about the purpose of business enterprises. The taken-for-granted belief that the *purpose of the business* is to maximize

shareholder investment is becoming more questionable in marketplaces with abundant financial capital, increasingly scarce natural resources and increasing pressures for social accountability.

Strategies for meeting this challenge include:

- Use scenario thinking to investigate blind spots and signals of unexpected events;

- Develop stewardship as an organizational ethic and practice;

- Continually engage people at all levels around questions of organizational strategy and purpose;

- Expose and test the assumptions behind the current strategy;

- Focus on developing better strategic, and ethical thinking capabilities.

The Dance of Change

When one considers the range of challenges described above, it would take a true flight of fancy to think that all an organization needs is a great hero CEO to create change. In fact, creating change means dealing with diverse challenges of initiating, sustaining, and redesigning. These diverse challenges lead to understanding leadership in a new way, as a capacity of the human community to sustain significant change.

In particular, local line leaders are crucial in dealing with the challenges of initiating. For example, only local line leaders are in position to help people prioritize their efforts so as to create the time needed for new initiatives, or to "make the case" for the relevance of particular change efforts for peoples' practical goals. Lastly, people will look to those championing change as local role models, and if local line leaders do not measure up, many will disengage.

Internal networkers are also important in dealing with the challenges of initiating but also the challenges of sustaining. They serve as coaches. They serve as coaches and mentors to team members. By helping innovative local line leaders connect with other like-minded leaders beyond the team, they expand the pool of potential partners and mentors, prevent isolation and defensiveness, and seed the diffusion of new ideas and practices. Lastly, executive leaders bear special responsibility for the challenges of redesigning and rethinking. For example, there is little that local line leaders or internal networkers can do about measurement systems that might thwart the spread of innovative practices, or about governance and the strategy process. But there is much that executives can do. What they cannot do is take new ideas to the front lines, to innovate new practices and establish ways of doing things. For this they need committed

local line leaders and internal networkers. In these ways, we begin to see how the different types of leaders need one another.

Lastly, these ideas illustrate why thinking systemically about change is so important: if leaders understand the systemic interrelationships that give rise to these challenges, they do not wait until problems actually occur to deal with them. They can anticipate problems in advance <u>because</u> they understand the play of forces that operate in such change processes. They can prepare for difficulties before they arise, and in many cases take actions that cause these difficulties never to arise at all. They can appreciate crucial interdependencies they share with others. They can cultivate personal relationships with those upon whom they "inter-depend" in advance. This is the "dance of change" that artful leaders know intuitively, working with the continual interplay of forces that shape change. Moreover, it is a dance done together, by an ensemble of leaders in many places and roles, collectively determining the capacity of an enterprise to sustain transformational change.

What has been learned to date is but the beginnings of a theory. What is important is not its absolute "truth," for surely there are many ways in which it can be improved. What is important is the way of thinking about leadership it proposes -- seeing the phenomenon of leadership as embedded in webs of interdependencies that shape change.

Translating this theory into practice requires <u>developing the capacity</u> of people engaged in real change processes <u>to think systemically</u>, so that they can better see and appreciate the interdependencies within which they operate, and to act more and more in ways that truly support the whole.

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[1] See The Economist, April 18, 1992.

[2] "Why do Employees resist Change?" Paul Strebel, <u>Harvard Business Review</u>. May/June 1996: 86.

[3] See, *The Fifth Discipline Fieldbook: Strategies for Building Learning Organizations*, Peter Senge, Art Kleiner, Charlotte Roberts, Rick Ross, Bryan Smith, New York: Doubleday Currency, 1994.

[4] Several of these change initiatives are documented in "learning histories," ethnographic studies of the complex change told from multiple perspectives.   See the SoL webpage for more information: sol-ne.org and Kleiner, A., and G Roth, "How to Make Experience You Company's Best Teacher, <u>Harvard Business Review</u>, September-October 1997, 172-177.

[5] Senge., P., "The Leaders' New Work: Building Learning Organizations," <u>Sloan Management Review</u>, 1990.

[6] Senge, P., "Leading Learning Communities: The Bold, the Powerful, and the Invisible," in F. Hesselbein, et al. al., <u>The Leader of the Future</u>, San Francisco: Jossey-Bass, 1996

[7] *op.cit*.

[8] videotaped interview, "Leadership Video," 1997 (available through Innovation Associates, Inc. Waltham MA Fax: 1-781-398-8523)

[9] Wenger, E., <u>Communities of Practice: Learning, Meaning, and Identity</u>, New York: Cambridge University Press, 1998.

[10] Senge, P. and Kaeufer, K., "Towards an Ecology of Leadership," SoL working paper.

[11] All these ideas are outlined in detail in: Senge P.; Kleiner, A.; Roberts, Ch.; Ross, R.; Roth, G.; Smith, B<u>., The Dance of Change. A Fieldbook for Sustaining Momentum in a Learning Organization</u>, New York: Doubleday Currency, 1999.

[12] Summarized from the new Fifth Discipline Fieldbook: <u>The Dance of Change: Sustaining Momentum in Building a Learning Organization</u>. ibid.

[13] Senge P.; Kleiner, A.; Roberts, Ch.; Ross, R.; Roth, G.; Smith, B<u>., The Dance of Change. A Fieldbook for Sustaining Momentum in a Learning Organization</u>, New York: Doubleday Currency, 1999.

[14] **see B. Patton, ... Difficut Conversations, (JEAN -- please complete reference, including auathors names and in the correct order); P. Senge, <u>The Fifth Discipline</u>, New York: Doubleday, 1990; and Senge, et.al., 1994, op. cit.**

[15] Roth, G. and Kleiner A., <u>Car Launch: The Human Side of Managing Change</u>, New York: Oxford University Press

[16] Op. Cit. (**JEAN -- please get the corresponding page number in the new book Car Launch for the refernec in the txt to page 75 in the original learning history**)

[17] Kleiner, A., <u>The Age of Heretics. Heroes, Outlaws, and the Forerunners of Corporate Change</u>, New York: Currency Doubleday: 1996.

[18] Cooperider, D. L. and Srivastava, S., Appreciative Inquiry in Organizational Life, <u>Research in Organizational Change and Development</u>, 1987, Vol 1: 129-169.

[19] See for example, G. Hamel, "Strategy as Revolution," <u>Harvard Business Review</u>, July-Aug 1996.