Transformational Leadership

Professor Deborah Nightingale

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Management Vs. Leadership

Management

- Planning & budgeting
- Organizing & staffing
- Controlling & problem solving

- Produces a degree of predictability & order
- Has potential to consistently produce short term results expected by various stakeholders (e.g., for customers always being on time; for stockholders, being on budget)

Leadership

- Establishing direction
- Aligning people
- Motivating & inspiring

- Produces change, often to a dramatic degree
- Has potential to produce extremely useful change (e.g., new products that customers want, new approaches to labor relations that help make a firm more competitive)

8 Steps to Transforming Your Organization

1. Establishing a Sense of Urgency
2. Forming a Powerful Guiding Coalition
3. Creating a Vision
4. Communicating the Vision
5. Empowering Others to Act on the Vision
6. Planning for and Creating Short-Term Wins
7. Consolidating Improvements and Producing Still More Change
8. Institutionalizing New Approaches

Establishing a Sense of Urgency

- Examine market and competitive realities
- Identify and discuss crises, potential crises, or major opportunities
- Create the “burning platform”
- 50% of companies fail at this stage
  - Underestimate difficulty in driving people out of comfort zone
  - Lack of patience - “get on with it”
  - Complacency

Sources of Complacency

The absence of a major and visible crisis

Too much happy talk from senior management

Too many visible resources

Low overall performance standards

Organizational structures that focus employees on narrow functional goals

A lack of sufficient performance feedback from external sources

Internal measurement systems that focus on the wrong performance indexes

Human nature, with its capacity for denial, especially if people are already busy or stressed

A kill-the-messenger-of-bad-news, low-candor, low-confrontation culture

Too many visible resources

Ways to Raise the Urgency Level

• Create a crisis by allowing a financial loss, exposing managers to major weaknesses vis-à-vis competitors, or allowing error to blow up instead of being corrected at the last minute

• Eliminate obvious examples of excess (e.g., company-owned country club facilities, a large air force, gourmet executive dining rooms)

• Set revenue, income, productivity, customer satisfaction, and cycle-time targets so high that they can’t be reached by conducting business as usual

• Stop measuring subunit performance based only on narrow functional goals. Insist that more people be held accountable for broader measures of business performance.

Ways to Raise the Urgency Level (cont.)

- Send more data about customer satisfaction & financial performance to more employees, especially information that demonstrates weaknesses vis-à-vis the competition.
- Insist that people talk regularly to unsatisfied customers, unhappy suppliers, and disgruntled shareholders.
- Use consultants & other means to force more relevant data and honest discussion into management meetings.
- Put more honest discussions of the firm’s problems in company newspapers & senior management speeches. Stop senior management “happy talk.”
- Bombard people with information on future opportunities, on the wonderful rewards for capitalizing on those opportunities & on the organization’s current inability to pursue those opportunities.

2 Forming a Powerful Guiding Coalition

- Assemble a group with enough power to lead the change effort
- Encourage the group to work together as a team
- Grow team to 20 to 50 range in large companies

Failures due to:
- No history of teamwork at top
- Undervalue importance
- Select wrong leadership (staff vs. line)

Building a Coalition That Can Make Change Happen

Find the Right People
- With strong position power, broad expertise & high credibility
- With leadership & management skills, especially the former

Create Trust
- Through carefully planned off-site events
- With lots of talk and joint activities

Develop a Common Goal
- Sensible to the head
- Appealing to the heart

3 Creating a Vision

- Create a vision to help direct the change effort
- Develop strategies for achieving that vision
- A vision says something that clarifies the direction in which an organization needs to move
- The vision “magnetically” pulls the organization

“The soul never thinks without a picture.” - Aristotle

Characteristics of an Effective Vision

**Imaginable** - conveys a picture of what the future will look like

**Desirable** - appeals to the long-term interests of employees, customers, stockholders, and others who have a stake in the enterprise

**Feasible** - comprises realistic, attainable goals

**Focused** - is clear enough to provide guidance in decision making

**Flexible** - is general enough to allow individual initiative and alternative responses in light of changing conditions

**Communicable** - is easy to communicate; can be successfully explained within five minutes

Features of a Vision

• It will be cohesive, providing a common thread through business mission and subsequent strategies

• It will be specific enough to provide direction yet general enough to remain relevant despite fluctuations in the short term

• It will be inspiring, aiming at “excellence” as defined by the organization

• It will describe the core values strongly held by the organization

• It will provide a yardstick by which to judge the future performance of the organization

Source: Stephen Connack (1991)
You must translate the vision from words to pictures with a vivid description of what it will be like to achieve your goal.

Features of a Vision

Envisioned Future should contain Big, Hairy, Audacious Goals

• Is a powerful way to stimulate progress
• Is clear and compelling
• serves as a unifying focal point of effort
• Acts as a catalyst for team spirit
• Has a clear finish line
• Should not be a sure bet - it will have perhaps only a 50% to 70% probability of success - but the organization must believe that it can reach the goal anyway

Source: Stephen Connack (1991)
What’s needed is such a big commitment that when people see what the goal will take, there’s an almost audible gulp.

BHAG

Be America’s Best!

We will be the Benchmark Provider of Logistics Capability Sustaining our Nation’s Warfighter.

- Support System Availability at 90% or better
- Support Readiness at 100%
- 50% Reduction in Flow Time
- 25% Reduction in Cost
We are committed
To supporting our nation’s Warfighters and have
Made great strides in our efforts to continue to improve. We recognize
that we do not always meet warfighter expectations for systems availability
And contingency support. We do not anticipate demand authority. We
are not responsive to the dynamic of customer needs. We do not always meet our flow
times generally, the quality of our products is unacceptable our metrics are
improvable. Effective communication within the Warfighter

We are committed
To continuous learning and growth for all employees
And are working on comprehensive career development programs
Currently some development programs are under funded. Not all employees understand
their role in accomplishing the enterprise goals and do not feel empowered To
change their own processes.

We understand and exceed warfighter
expectations for systems availability and
contingency support. We have achieved this by anticipating requirements, reducing
average flowtime 25% and cost 10% and improving quality.

We have effective and efficient
Business processes that enable us to anticipate demand
Then deliver products at 10% less cost, improved quality, and in
25% less time. Our customer focused processes support continuous
Improvement, open communication, and flexibility.

We maintained a legacy of training, education.
And mentoring in the ALC. Through our comprehensive
Development programs, everyone understands their role
in the enterprise, feels empowered, and participates
as change agents.

We are incentivized
To consume all resources as soon as possible. We
expanded some resources without prioritizing programs/projects
against mission accomplishment. We are compelled to accept workload
Without the necessary resources. We have not successfully
demonstrated a strategy to removed savings in facilities, equipment and people. We
do not fully articulate the consequences of failing to secure the
Resources necessary to meet customer needs.

We are committed
To be America’s Best!
We will be the Benchmark
dproviding logistics capability sustaining our
Nation’s war fighters.

• support system availability
at 90% or better

• Support Readiness at 100%

• 50% reduction in flow time

• 25% cost reduction

We are committed
To sustain and improve the war fighter’s capability
to defend our freedom

Ogden ALC’s Strategic Visioning

Fully trained
employees who reflect
a culture of
continuous process
improvement

Sought after
advisor
for sustainment
developing
weapon systems

Full and Open
communication
throughout the
Enterprise

Others write
about “How We
Did It”

We are the
Best and it
is obvious

OO-ALC is the model
organization in
government &
industry and a leader
of lean in the public
sector

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Creating an Effective Vision

First Draft

• The process often starts with an initial statement from a single individual, reflecting both his or her dreams and real marketplace needs.

Role of the guiding coalition

• The first draft is always modeled over time by the guiding coalition or an even larger group of people.

Importance of teamwork

• The group process never works well without a minimum of effective teamwork.

Role of the head and the heart

• Both analytical thinking and a lot of dreaming are essential throughout the activity.

Creating an Effective Vision (cont.)

Messiness of the process

• Vision creation is usually a process of two steps forward and one back, movement to the left and then to the right.

Time frame

• Vision is never created in a single meeting. The activity takes months, sometimes years.

End product

• The process results in a direction for the future that is desirable, feasible, focused, flexible, and is conveyable in five minutes or less.

The Relationship of Vision, Strategies, Plans and Budgets

**Leadership**

**Vision**
- A sensible and appealing picture of the future

**Strategies**
- A logic for how the vision can be achieved

**Plans**
- Specific steps and timetables to implement the strategies

**Management**

**Budgets**
- Plans converted into financial projections and goals

Key Elements in Effective Communication of Vision:

- Simplicity
- Metaphor, analogy, and example
- Multiple forms
- Repetition
- Leadership by example
- Explanation of seeming inconsistencies
- Give-and-take

Empowering Others to Act on the Vision

• Get rid of obstacles to change
• Change systems or structures that seriously undermine the vision
• Encourage risk taking and nontraditional ideas, activities, and actions
• Make tough decisions in removing people who do not ascribe to vision

Barriers to Empowerment

- Formal structures make it difficult to act.
- Bosses discourage actions aimed at implementing the new vision.
- Employees understand the vision & want to make it a reality, but are boxed in.
- A lack of needed skills undermines action.
- Personnel & information systems make it difficult to act.

Empowering People to Effect Change

- Communicate a sensible vision to employees
- Make structures compatible with the vision
- Provide the training employees need
- Align information & personnel systems to the vision
- Confront supervisors who undercut needed change

Planning for & Creating Short Term Wins

- Create and plan for visible performance improvements
- Recognize and reward employees involved in the improvements

The Role of Short-Term Wins

• **Provide evidence that sacrifices are worth it:** Wins greatly help justify the short-term costs involved.

• **Reward change agents with a pat on the back:** After a lot of hard work, positive feedback builds morale and motivation.

• **Help fine-tune vision and strategies:** Short-term wins give the guiding coalition concrete data on the viability of their ideas.

• **Undermine cynics and self-serving resisters:** Clear improvements in performance make it difficult for people to block needed change.

• **Keep bosses on board:** Provides those higher in the hierarchy with evidence that transformation is on track.

• **Build momentum:** Turns neutrals into supporters, reluctant supporters into active helpers, etc.

Transformation efforts can be successful for a while, but often fail after short term results become erratic.

All highly successful transformation efforts combine good leadership with good management.

Transformation efforts go nowhere.

Short term results are possible, especially through cost cutting or mergers & acquisitions. But real transformation programs have trouble getting started & major, long term change is rarely achieved.

Consolidating Improvements & Producing Still More Change

- Use increased credibility to change systems, structures and policies that don’t fit the vision
- Hire, promote & develop employees who can implement the vision
- Reinvigorate the process with new projects, themes and change agents
- Confront even bigger issues and problems

Increasing Amounts of Change Required for Successful Transformation
What Stage 7 Looks Like in a Successful, Major Change Effort

- More change, not less
- More help
- Leadership from senior management
- Project management and leadership from below
- Reduction of unnecessary interdependencies

Institutionalizing New Approaches

- Articulate the connections between the new behaviors and corporate success
- Develop the means to ensure leadership development and succession
- Anchor change in a new culture

Anchoring Change in a Culture

- Comes last, not first
- Depends on results
- Requires a lot of talk
- May involve turnover
- Makes decisions on succession crucial

## 20th and 21st Century Organization Compared

### Structure

#### 20th Century
- Bureaucratic
- Multi-leveled
- Organized with the expectation that senior management will manage
- Characterized by policies and procedures that create many complicated internal interdependencies

#### 21st Century
- Non-bureaucratic, fewer rules & employees
- Limited to fewer levels
- Organized with the expectation that management will lead, lower-level employees will manage
- Characterized by policies and procedures that produce the minimal internal interdependence needed to serve customers

20th and 21st Century Organization Compared

**Systems**

**20th Century**
- Depend on few performance information systems
- Distribute performance data to executives only
- Offer management training & support systems to senior people only

**21st Century**
- Depend on many performance information systems, providing data on customers especially
- Distribute performance data widely
- Offer management training and support systems to many people

20th and 21st Century Organization Compared

**Culture**

**20th Century**
- Inwardly focused
- Centralized
- Slow to make decisions
- Political
- Risk averse

**21st Century**
- Externally oriented
- Empowering
- Quick to make decisions
- Open and candid
- More risk tolerant