

Modeling Effective Change Leadership

The following thought paper includes excerpts from a supplemental lecture Dr. Ray Benedetto presents to MBA students in the Organizational Leadership course he teaches for the University of Phoenix. All material that is not ascribed to other sources is thoroughly original and is subject to reproduction restrictions. Please contact Dr. Benedetto at ray@guidestarinc.com for permission to make multiple copies.

The leader's primary role is to initiate and guide change processes within organizations; however, this role is not clearly understood many. Recent research has validated John Kotter's (1990) perspective that organizations are over-managed and under-led (Neilson, Pasternack, & Mendes, 2004). Kotter (1990) noted how "good" or "effective" leadership moves people to a place in which both they and those who depend upon them are genuinely better off, and when it does so without trampling on the rights of others. The function implicit in this belief is *constructive or adaptive change* (Kotter, 1990, p. 5).

Change – A Common Characteristic of Action Systems

Leaders and managers are both "action systems" because their work involves "deciding what needs to be done, creating networks of people and relationships that can accomplish an agenda [and] trying to ensure that those people actually get the job done" (Kotter, 1990, p. 5). However, *the difference lies in the purpose of their actions*. Managers "create orderly results which keep something working efficiently" whereas **leaders "produce useful change"** (Kotter, 1990, p. 7, Italics added). Both are necessary for the successful, sustainable operation of any enterprise, but the differences between these two perspectives can easily contribute to internal conflict if the leaders and managers do not understand and manage this relationship properly.

With any change, the emphasis must be on leadership, not management; therefore, management must be subordinate to leadership. Hickman (1990) provided a good perspective in this regard:

The **most optimally performing organizations, environments, and people are balanced and integrated** because they value management, leadership, and the variations in between...Such organizations and people know how to **blend and integrate a wide variety of management and leadership skills into one cohesive whole**...[they] approach the issue of competitive strategy and advantage from what I call changing-game strategies. Changing-game strategies...take into account the fluid nature of the marketplace, the industry, the competition, suppliers, customers, society and the global economy...assumes that the game is always changing and, therefore, so must its strategies...[these] **strategies do not attempt to hold things in place for the purposes of stability, nor do they create a crisis environment. Instead, they emphasize renewal and the ongoing search for new insights**...the culture doesn't experience change, but rather **reapplication or renewal**...**Stability never deteriorates into stagnation, crisis never escalates into chaos**...**formal and informal systems do not compete with each other, but rather complement one another**...**balanced and integrated organizations combine tangible with intangible and short-term with long-term results**...the orientation is more an attitude and a feeling that permeates the entire organizational environment. There is a deep valuing of differing perspectives and orientations, a solid commitment to openness and candor in all communications and interactions, and an aggressive willingness to face up to realities and issues in order to positively address and resolve them...[The] environments...exude a feeling of empowerment, fulfillment, peace, and enduring progress (p. 45-48)

Hickman noted very few organizations achieve this state. How then does an organization cope with change if the organization itself is not prepared for it? Furthermore, what might the future look like? Should not any change initiative address the nature of the external as well as internal environments to be effective? How does one achieve alignment around purpose?

This discussion is not to infer that the role of the manager is unimportant or needs to “go away”. One must respect both leadership and management. However, the nature of organizations in the 21st Century is changing dramatically and the roles of leaders and managers will continue to “morph” in response to external changes.

So what does the future look like? Kotter (1996) compared several attributes of 20th Century vs. 21st Century organizations, which I included here (p. 172). Kotter focused on three components: structure, systems, and culture. Within structure, he noted management is done at the lower level but it does not disappear (p.172). The comments above from Hickman (1990) supported Kotter’s perspective. Significant value exists in grass-roots leadership, defined by Bergmann, Hurson, and Russ-Eft (1999), where a “loosening of formal organizational structures” occurs and “fewer, busier managers” operate (p. 15). Yet, even with this model, managers do not disappear; they simply take on different attributes.

Exhibit 1: A Comparison of Twentieth- and Twenty-first-Century Organizations (Kotter, 1996)

Twentieth Century

Structure

- Bureaucratic
- Multileveled
- Organized with the expectation that senior management will manage
- Characterized by policies and procedures that create many complicated internal interdependencies

Systems

- Depend on few performance information systems
- Distribute performance data to executives only
- Offer management training and support systems to senior people only

Culture

- Inwardly focused
- Centralized
- Slow to make decisions
- Political
- Risk averse

Twenty-first Century

Structure

- Non-bureaucratic, with fewer rules and 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

Systems

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

Culture

- Externally focused
- Empowering
- Quick to make decisions
- Open and candid
- More risk tolerant

Perrow (1973) stated, “The burning cry in all organizations is for ‘good leadership,’ but we have all learned that beyond a threshold of adequacy it is extremely difficult to know what good leadership is” (p. 13). Perrow’s observation is still valid when we consider the impact of American business failures that have resulted from corrupt acts in recent years. According to Gosling and Mintzberg (2003), finding managers who understand the complicated and often confusing world of management is equally challenging.

In a similar vein, the role of followers will change in the 21st Century, which, you will recall from previous discussions where I invoked Burns (2003) “leader-follower paradox”, will redefine the role of leaders. Twenty years ago, Kelley (1988) wrote an effective article about followers that you should review because the qualities of effective followers that he defines – they manage themselves well, are committed to the organization and a purpose outside themselves, they build on competences and focus effort for maximum impact, and are courageous, honest and credible – reflect the traits of highly capable individuals and contributing team members – Level 1 and Level 2 leaders defined by Collins (2001). So how do these perspectives affect how we go about creating organizational change?

Kreitner and Kinicki (2004) presented a typology of change that is generic since it applies to all types of change. Introducing **adaptive change** is easier because it is low in complexity, cost, and uncertainty; the potential for resistance to change is relatively low because most people can rationalize the change as a minor adjustment to the way in which they are doing business and must be done for good reason, e.g., safety. This type of change may be an imitation of a similar change put into place by another unit within the same company.

A little further along the scale of complexity/cost/uncertainty where resistance to change could be expected to increase we find **innovative change**. This type of change involves introducing an entirely new practice to an organization where the practice may have been successful in another company or another industry but this would be the first time for this particular organization. According to Kreitner and Kinicki (2004), this change type increases fear of change because of the associated unfamiliarity and great uncertainty with this change.

Radically innovative change sits at the top of the complexity and resistance scales because these changes are “most threatening to managerial confidence and employee job security” (Kreitner and Kinicki, 2004, p. 8). However, radically innovative change, which introduces an entirely new practice to the industry, is unavoidable at times. Unless guided properly, these changes can tear at the fabric of an organization’s culture and create more problems than the ones they intended to solve. These changes are also the most difficult to implement.

When GM introduced the Saturn Company in the late 1980s in response to competition from Japanese automakers, Saturn leaders approached their task with a mindset that was radically innovative; their approach stood in stark contrast to the existing GM culture. Saturn leaders determined they would not fall into the trap to which other American automakers had succumbed. Mills, Boylstein, and Lorean (2001) described how Saturn capitalized upon media advertising campaigns in response to an internal crisis as well as external pressures. The early Saturn culture was quite unique and worthy of your study.

Leaders who are preparing to introduce a change initiative would be wise to examine the proposed change in light of this typology. The original Saturn Company is an excellent example of a company that successfully used storytelling to create an apparent family-like symbolic community between Saturn and the consumers it served; the corporate persona generated

through such storytelling empowered employees to act as agents of change, regardless of how difficult those changes first appeared to be.

Finding a Change Model That Works: Kotter's Eight-Stage Process

(Portions of the following were extracted from Benedetto (2007)).

For the vast majority of us who do not work for Saturn, other tools exist to which we can turn for assistance in creating change. According to Kotter (1996), "Useful change tends to be associated with a multistep process that creates power and motivation sufficient to overwhelm all the sources of inertia" (p. 20). Overcoming this inertia requires "high-quality leadership, not just excellent management" (Kotter, 1996, p. 20) since "successful transformation is 70 to 90 percent leadership and only 10 to 30 percent management" (Kotter, 1996, p. 26).

The major differences between management and leadership reside within the primary functions of each discipline. Management concerns planning, budgeting, organizing, staffing, controlling, and problem solving while leadership concerns establishing direction, aligning people and motivating and inspiring others (Kotter, 1990, 1996). Whereas the former activities focus on predictability, order, and producing short-term results for various stakeholders, the latter actions produce change (Kotter, 1990, 1996). Kotter (1995) noted that the change process experiences "a series of phases that...require a considerable length of time" in large part because of the complexity and depth that changes must permeate in order to become part of the organizational culture (p. 59).

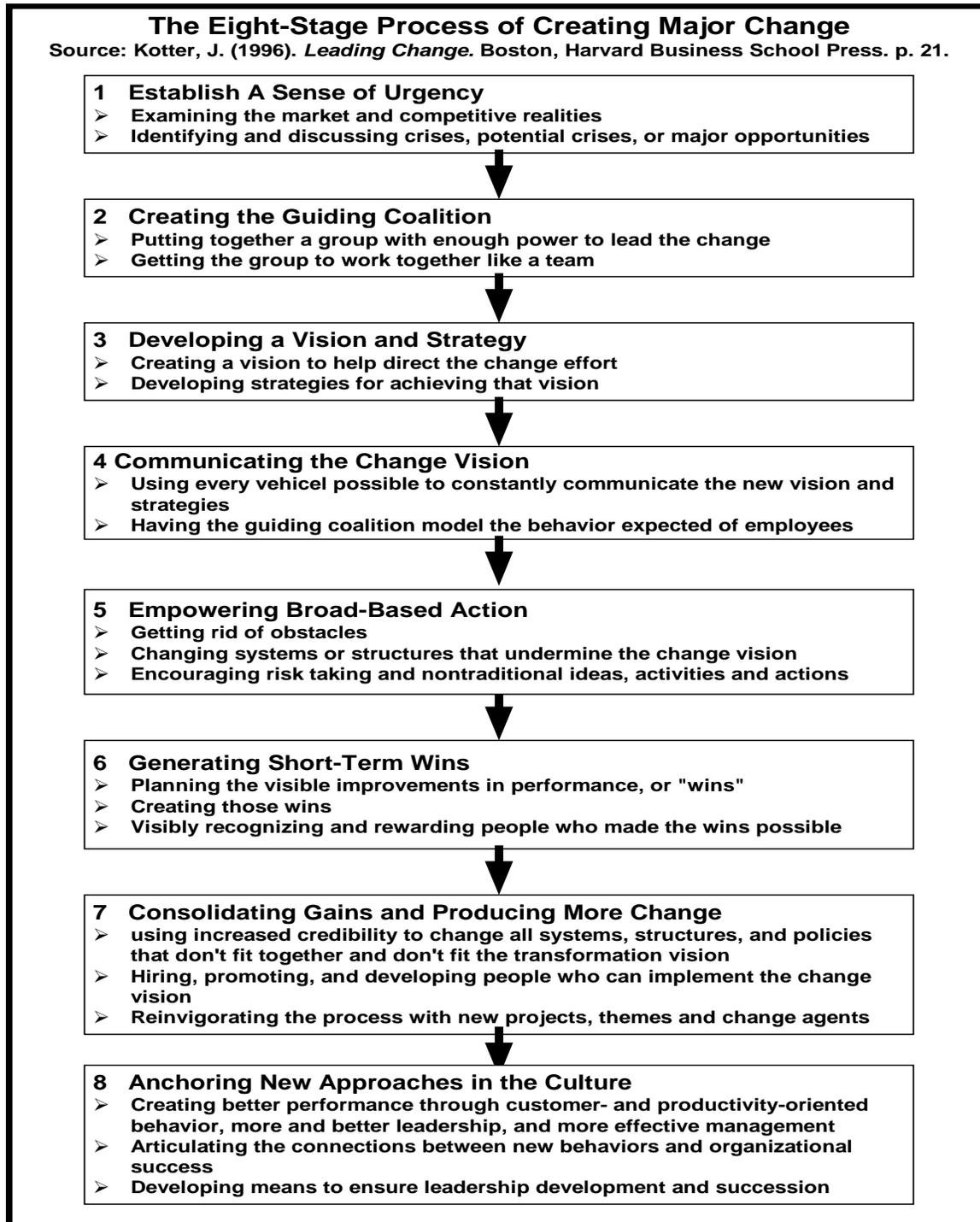
Unfortunately, many business leaders do not have the patience necessary for successful execution and achievement of large-scale change because of an ingrained focus on managing for profit rather than leading for long-term gain. Ghoshal (2005) stated, "A management theory – if it gains sufficient currency – changes the behaviors of managers who start acting in accordance with the theory" (p. 77). The propagation of ideologically inspired amoral theories over the course of the past 30 years through business school curricula lacking in foundational ethics and effective leadership practices has freed many business students from any sense of moral or social responsibility while reinforcing negative behaviors that compromise the ability to lead (Ghoshal, 2005).

This course has already made clear the fact that leaders must change their own behaviors first before expecting those around them to change theirs. Kotter (1995) noted transformations work best when an organization has a new head who is also a good leader. Even though a significant challenge exists when there are not new leaders, great leaders, or change champions within the organization simply having a good leader at the top is insufficient for successful change (Kotter, 1995). Kouzes and Posner (2003) described the first practice of exemplary leadership as "model the way" which is a necessary condition for applying Kotter's theory for leading change. Modeling is not restricted to strategic leaders at the top; operational and grass-root leaders within and throughout the organization are also included.

Kotter's theory is expressed in visual form in Figure 1. Each stage includes two or three critical elements that must be completed prior to moving to the next stage. The stages are sequential and for good reason. Kotter (1995) noted, "Critical mistakes in any of the phases can have a devastating impact, slowing momentum and negating hard-won gains" (p. 60). A management mentality, especially driving to meet quarterly targets, creates pressures to produce that can motivate people to skip steps or invent new sequences through what seems to be reasonable logic (Kotter, 1996). Taking shortcuts does not build the momentum that is

required to see the entire transformation through to a successful conclusion or to the base level of the next major change.

Figure 1. Kotter's Eight-Stage Process for Major Change.



Barabba (2004) described a matrix for framing problems that serves as a helpful tool in assessing the potential for major change efforts. Barabba characterized major change as laden

with divergent perspectives and a high level of complexity, resulting in messy problems with disparate views and a complex nature that with which one must deal nonetheless. Kotter's theory provides the structure for effectively dealing with this mess by examining the foundation for urgency in Step 1. Collins (2001) described this process as "confronting the brutal facts" and believed that creating a culture of discipline in which employees are empowered with "freedom within a framework" is necessary for sustained success. Collins (2001) noted great companies build cultures build around three disciplines: disciplined people, disciplined thought, and disciplined action.

Lawler (as cited in O'Toole, 1996) states, "Precious little of the essential management knowledge in general circulation is put into practice in many American corporations" (p. 156). Such might be the case with Kotter's theory, based upon the impression the author has received as the result of leading and consulting on change initiatives in the private sector for nearly two decades. **In spite of good coverage in the business literature, Kotter's theory seems to be another case where business leaders and managers are focused on the wrong issue, e.g., profitability, rather than "doing what they know full well they should and must do"** (O'Toole, 1996, p. 156) **which is to lead and manage change, respectively.** A leader may be quick to exclaim that the model might not apply to her organization because the desired change initiative is not "major"; however, whether a change is "major" or "minor" is again a matter of perspective. To the employee at the grass-roots level of company operations, any change could be considered "major"; therefore, Kotter's model should be considered for adoption.

Nonetheless, an argument against universal adoption of this model exists. The problem with universal adoption of effective tools such as Kotter's theory appears to be related to the dominant organizational culture as described by Handy (1995). Whereas Kotter's model fits well with a dominant problem-solving Athenian culture, adoption within a club-centered Zeus culture accustomed to speed of decision would be more difficult since leaders would be anxious to jump ahead to a conclusion rather than work through the sequential stages. Similarly, an Apollonian culture based on stability, predictability, and efficiency would find the concept of continually changing to face a turbulent external environment disruptive to internal harmony. Yet, these observations should not be surprising since Zeus and Apollonian cultures are inwardly focused which is an obstacle for effective change.

Summary

Athenian, task-oriented and problem-solving cultures appear to be most open to readily adopting and applying Kotter's model, but this does not mean that the theory is not applicable to the other culture types. Every organization, regardless of its underlying culture, needs to change to survive. Leaders of Zeus and Apollonian cultures must recognize they need help to survive turbulent times ahead. Failure to change within these two culture types will most likely result in detrimental and fast-moving advances by Athenians who will overtake and hold dominant market positions well into the future.

The immediate problem for Zeus and Apollonian cultures is determining the corporate desire for survival. If the conclusion drives a sense of urgency for change, then applying Kotter's theory with the assistance of outside experts can help leaders change perspectives toward a new foundation for their future success. Failure to come to consensus on an urgency for change will most likely doom the enterprise to failure.

Kotter (1996) noted, "Culture changes only after you have successfully altered people's actions, after the new behavior produces some group benefit for a period of time, and after people see the connection between the new actions and the performance improvement" (p.

156). Moving from Zeus or Apollonian to Athenian is a major challenge but Kotter's theory can help in this regard, and for this reason, this theory has universal application. Further research in this area will help to determine the validity of this perspective.

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