THE CEO'S VIEWPOINT ON LEADING CHANGE

What executives think and do in order to succeed with change

Introduction

As advisors in a Nordic management consulting firm, we work with a large number of business leaders every year, helping them develop and improve their organisations and businesses. The challenges and possibilities facing these leaders come in many different shapes, but we find that there is one constant – it all involves CHANGE.

This is hardly a new notion. We have been talking about "handling change" and "leading change" forever, it seems, so one should think that we were all experts in this discipline by now. Apparently, we are not. In fact, we see many leaders struggling to make sense of change and to make change "happen", now more than ever.

Inspired and intrigued by this, we asked 25 CEOs and top executives (from here on referred to simply as CEOs) in private companies and public organisations to share their point of view on the subject of change. The conversations were conducted in the spring of 2014, and we asked the CEOs to reflect on the following topics:

We were curious to find out how these experienced leaders succeed with change in reality, so that we could get inspired ourselves and inspire others by sharing their experience, but we also wanted to compare their approach to change with what we believe in ourselves as advisors and consultants.

In this paper, we have condensed the essence of the input received during the conversations, added our reflections and drawn some conclusions. We have also included several quotes made by the CEOs to further illustrate their perspectives on the topics discussed.

Obviously, it is hard to capture all the ideas and wisdom transmitted during the interviews in a short document. Our purpose has not been to provide a step-by-step manual on "how to do" change (does the world really need another 7-step model on change?), but to provide food for thought and most importantly – inspiration for personal action.

Topics

- The challenge of succeeding with change

- What works and what does not work when it comes to driving change

- The role of the leader and of leadership during change initiatives

- The impact of organisational culture on the change process.

1. Why is change (still) difficult?

We know that roughly two-thirds of all major change initiatives do not have the desired impact – and that the cause is often a lack of competence and/or time invested in change management.

The majority of those we interviewed said that driving successful change is a significant challenge and that – despite all the theories and frameworks that exist in the academic world – succeeding with change is still very much a question of having a clear sense of purpose and direction, well-developed instincts for what needs to be done (and in what sequence), integrity and courage to stand behind your ideas, even in the face of opposition, and to have the ability to engage people's hearts and minds.

One of the observations we made is that the majority of the CEOs believed that the above-mentioned success factors are in fact skills that can be acquired through training and experience (they all admitted to having made their fair share of mistakes in the past and that failure can be a great teacher).

"One reason why change is difficult is that you easily get overambitious, take on too many things and then lose focus. You are eager (to succeed) and you reach a point where you are no longer able to hold back all the good ideas … it is important to be selective and hard."

"Usually, the top management has lived with the ideas behind the change for a long time and discussed visions, goals and challenges – then you dump all of this down into the organisation and expect people to simply get going. The problem is that mentally you have an organisation that is in a different place than you are as a top leader."

"I have been part of some global change initiatives done "the American way", meaning Big Bang, tight time pressure and very little involvement from the people in the organisation. These types of change processes are sometimes necessary, but they are usually not very effective in the long run."

To summarise, the CEOs agreed on the following:
- Driving change is basically what a leader does – it is the job.

- It is seldom easy, but it can be more or less difficult, depending on how the change is perceived and the consequences of the change.

- Very few said that they use a set framework or a theoretical model for change management. What they use is experience (what worked before), some basic principles (such as "involvement of the top-100") and an "agile" approach, including a fair degree of trial and error.

2. Different choices for how to succeed with change

Do the CEOs use a method?

As indicated above, one of the key questions to the CEOs was whether they use a set method or framework to guide them when driving change. The general conclusion was that they did not – at least not in the sense of subscribing to a specific model from the academic world (for example Kotter's 8-step model) or a model from consultants (like Prosci's ADKAR® model). One notable exception was that 15 – 20% of the CEOs stated that they use Lean and "continuous improvement" as basic models when working with change.

The fact that so many do not use a set model obviously does not mean that they act on a totally ad hoc basis. The majority of the CEOs seemed to have an intuitive idea of how to approach and organise a change process. In fact, they use a combination of the following factors:

- Previous experience from extensive exposure to change in different managerial/leadership positions

- Personal values that influence how they manage the change (for instance, the view on top-down vs engagement and participation)

- An assessment of the situation at hand and of the possibilities and limitations pertaining to that situation

- An understanding of the impact of the organisational culture on how to succeed with change.

"No, we do not have a model. If we had a model, we might be able to drive change faster than we actually do. Our guiding principle is communication. We put great emphasis on getting the middle managers on board."

In other words, there are many ways in which to conduct successful change management (but also many ways in which to conduct less successful change management).

Six basic choices made by the CEOs to drive change

Based on the interviews, we identified six choices which are considered by the CEOs when deciding on how to approach a change initiative (note; the six choices are the sum of reflections from all interviews). The categories are not mutually exclusive but overlap each other in different ways.

Six basic choices

• Top-down approach	vs	Bottom-up approach
• Big Bang implementation	vs	Continuous improvement
• Planned change	vs	Emerging change
• Change driven as a separate project	vs	Change driven directly in the line organisation
• "Political" approach	vs	Transparent approach
• Avoiding change	vs	Driving change

Top-down approach vs bottom-up approach

None of the CEOs advocated a true bottom-up approach, meaning a change initiative that is initiated in the line organisation and given attention and resources from the top management, eventually becoming the focus for the whole organisation. Given that our target group were CEOs, this perspective was not a surprise. However, the CEOs did have different views on WHO to involve and WHEN.

Some of the CEOs stated that a top-down approach, starting with a small circle of people who create the first draft of a change plan, was the preferred approach. Here, the top group normally outlines the desired state with a vision and objectives. The next step is to bring the draft plan to a larger group of managers to be elaborated on and "to get them on board".

"Change must be driven by the top management. We make most of the big decisions ourselves. We have the necessary competence and insight."

"We set the boundaries in the executive team. It is the 3-year strategy with quantitative and qualitative targets. We decide how hard we push and in what order we will proceed. When this is done, it is time to involve the next layer of managers."

One of the advantages of using this approach is that it gives the initiator control of the overall decision and of the process. One of the disadvantages is that it creates a situation where a small group of people need to convince a larger group of people to join a change initiative that they were not part of initiating or (really) developing. The result is often the well-known lack of full buy-in.

The majority of the CEOs stressed the importance of involving a larger circle of people at an early stage to create the change plan. They see the advantage of involving others, before they make up their own minds, in order to take advantage of people's competences, experience and ideas. Many CEOs talked about involving a group of 50 – 100 managers at an early stage.

"I involve a broad group of people, the top-100, who will become the change agents."

"You need to know, where you are going, and then get everybody with you. Change is not created if it only comes from the top. You really need to get everybody with you."

"Involve people as much as you can. Set aside time to work together, underline the importance. And admit that it will take time."

"All my work with change is based on people. To come to a decision in an organisation as big as this company, you need to include at least 100 people. They are your primary target group as a change leader."

"There is still in me a pure command and control person from my younger years. But I have learned along the way that I will get better results, the more I let go of my control. I have only good experience of letting go of control and allowing people to contribute."

Big Bang implementation vs continuous improvement

Some of the CEOs (15 – 20%) had a clear preference for a continuous improvement approach. To them, theword "change" was perceived as somewhat negative, and their focus was instead on sustaining a continuous process of development or improvement. Often, these CEOs use Lean ways of working and Lean management as their framework for constant change with the aim of creating a "change culture" in the organisation:

"I do not like the word change; it implies that something is wrong. I prefer using the word development. We work with Lean management and continuous improvement. It is easier to get commitment for smaller changes in shorter sequences."

On the other hand, many of the change challenges described during the interviews were not possible to predict or handle with a continuous improvement approach. Usually, these are change initiatives coming from the top of the organisation, driven by challenges in the surrounding world or by major internal strategic shifts (turnarounds, transformations etc.) and often with a clear beginning and end date.

"We had to do everything at once, because our financial performance was so bad. And if I had to do it all over again, I would do it the same fast way. During change, there is always a risk that we shift focus from what we really should be doing, so you need to come back to your core business as soon as possible."

Planned change vs emerging change

There was a clear preference towards a planned approach among the CEOs. The following components were most often mentioned in connection with this approach:

- A detailed overall plan. Vision and objectives for the desired state as well as of the present state. Overall "work streams" for how to move from A to B, including actions, responsibilities and time.

- In order to get buy-in on the overall plan, the desired state needs to be described in a compelling way,

- i.e. both from a corporate perspective and from an employee perspective. Creating a narrative for the desired state and the transformation to get there is one of the key communication challenges during the change process.

- A process where the overall company plan is communicated and cascaded in the line organisation. The next levels break down objectives and actions to own function and create own plans.

- Clear KPIs to allow follow-up on progress of execution on an aggregated and distributed level. Several CEOs underlined the importance of continuous follow-up and the communication and transparency of the results.

- The management needs to stay on top of the change process, even though the responsibility for the implementation has been delegated. The change initiative needs to be a permanent issue on the agenda.

- Support to the line managers who have been given the role as change leaders with training and tools from central dedicated resources.

"We have a very detailed plan for how to implement the change. Who is responsible for each part and how we will measure the impact. Without the measurement, it is hard. We need to break it down at an individual level and then measure and follow up."

"We have built a KPI structure in order to measure and drive the change. It is based on financial, operational and soft KPIs. It is extremely important to be able to measure the impact to see if something happens."

Change driven as a separate project vs change driven in the line organisation

How do the CEOs organise the change process? We see two main approaches. The first approach is change organised as a specific project, where the line organisation gets involved during the implementation phase. The second approach is a change assignment given directly to the line organisation.

The planned approach mentioned above (C) seems to have a lot in common with the approach to organise change as projects. Projects are especially suitable for developing something – a new work process, a new system, a new organisation etc. A dedicated group of people get the assignment to prepare and develop the desired change and, in a later phase, to implement said change in the line organisation. The benefits for the CEOs are obvious:

- Possible to give a clear assignment and a structure for governance in the form of a steering group

- Clear targets and actions and a clear responsibility for the execution

- Follow-up based on KPIs throughout the process.

"We decided to work with our change activities in the form of an integration project. We had several sub-projects for different parts of the integration. One of my closest colleagues was the project leader. We, then, manned the different sub-projects with people from across the two companies."

"We use projects in order to create clarity and metrics, so that we can constantly follow up."

Note that the planned approach for driving change can also be applied, when the responsibility for planning and implementing change is given directly to the line organisation.

Some CEOs commented that there are changes where the planned project-oriented approach may have limited value. This could be the case when the goal is to change mindsets, behaviour, culture and values. These are changes that take longer time and require a very high degree of "participation sensitivity" along the way.

"Political" approach vs transparent approach

The importance of communication throughout the change process to get everybody "on board" has been a recurring theme in all the conversations, but also the difficulty in succeeding with the communication. Several CEOs talked about transparency as a key quality of their change communication – for them, transparency means:

- No hidden agenda, being open in terms of background, motives and aspirations

- Continuously measuring the impact, when change is implemented, being open about the results and using them as leverage for the continuous transformation.

"We chose a communication strategy that was transparent. We told everybody what we knew, and what we did not know. We even provided our suppliers, competitors and industry organisation with information about what we were doing."

A few of the CEOs talked about the importance of understanding and being able to play the "political game" in the organisation. From time to time, this might result in the need for a more tactical approach. The political game often results in positioning and indirect communication, and it can be hard to understand what different people really think. What you see and what you hear is not necessarily what you get.

"You need to learn to decode the political agenda in order to succeed."

"I need to remind myself to reflect on what I see and hear. I see myself as an honest, open and straightforward person. I do not go around thinking: What is this person planning to do now? If I need to think tactically, I really need to make an effort."

"The most disturbing is the political game, where power positions are influencing and result in irrational thinking. It is frustrating!"

Avoiding change vs driving change

Approximately 15% of the CEOs interviewed talked explicitly about avoiding change. We found this interesting. One viewpoint was that there are too many unnecessary changes carried out in organisations.For instance, when a new CEO takes over, it is almost inevitable that a reorganisation will soon take place, followed by a period of disruption, stress and uncertainty. In many instances, this reorganisation is not necessary, but is, according to some of the CEOs, mainly a way for the new executive to show decisiveness.

"I am an advocate for not changing so much. I do not believe in change for its own sake. Especially new CEOs want to change a lot. I think this is dangerous. In a crisis, you need change management, otherwise continuous improvement."

Another point of view is that in a relatively stable market and slow-moving industry, it can be a success factor not to change and instead streamline the efficiency of operations over time.

A key question could therefore be: Is this change really necessary?

3. Change leadership

In our conversations with the CEOs, we also wanted to focus on what the leaders really do to lead change – change leadership.

From the conversations, we detected six domains of change leadership that were considered critical by the CEOs:

- Authenticity and integrity

- Leaders who take the lead

- Forming the right team

- Effective stakeholder communication

- Creating high engagement

- The importance of culture.

What follows is a summary of the key reflections and quotes within each of the six change leadership domains.

Take
leadership

Culture

Authenticity/
integrity

The right
team

High
engagement

Stakeholder
communication
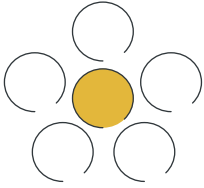
Authenticity and integrity

To attract followers, a leader has to be many things to many people. The trick is to pull that off while remaining true to yourself*.

Although only a few of the CEOs used the word "authenticity" nearly all of them stressed the importance, but also the difficulty of staying true to yourself–your beliefs and values during periods of difficult changes.

Most of them admitted that sometimes you need to make changes which you are not 100% convinced about yourself, but that you still need to be able to look yourself in the mirror by the end of the day.

Some advice shared:

- Be clear and open about your own values

- Know what you are not willing to compromise on

- "Walk the talk"–never ask others to do things that you are not prepared to do yourself

- Be honest and open (without being naive) about your own short-comings–do not pretend to know everything

- Make "trust" a key topic in your lead-ership team.

"You need to have the guts to be open about what you do not know and do not talk as if you have all the answers – we are no bloody prophets!"

"You need to be honest. There are usually no IKEA instructions for how to handle the change."

"The story you create around the change must be one you really believe in yourself – if you cannot, you should take the consequences and step down – if you fake it, you will only hurt yourself and others in the long run."

"During periods of change, you need to make tough decisions, some-times without fully involving your leaders – it is part of the game."
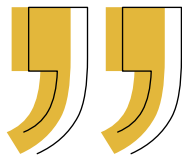
Leaders who take the lead

Change starts with you–incarnate the change you want to see

We picked up on the following wisdom from the CEOs:

- Change requires a different type of leadership than during periods of relative status quo

- Change requires you to make bold decisions–often without all the necessary information

- Put your main efforts into execution and follow through/course correction, not into developing strategies.
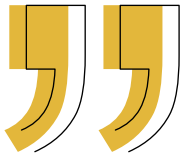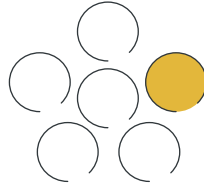
*Rob Goffee/Gareth Jones, HBR 2005.

Forming the right team
Without the right people, nothing happens

A recurring theme was the importance of having the right people in the team to drive the change initiative.

- The top management team driving the change must be "the right people", i.e. sharing the same view on the desired state and agree on the necessity of reaching that state (and often the first step of the change process is to gather the right group of people)

- In addition to sharing the same view on the desired state, it is also important to build a team of people with different competences and experiences

- If the team does not consist of the right people, it may be necessary to replace the ones who do not contribute to the success of the change initiative. If resistance to the desired change exists in the core team, success will be hard to achieve

- Sometimes, it is necessary to bring in new people from the outside in order to achieve a "critical mass" of people with the right mindsets or competences.

"If I say something is important, I also need to show it ... show my energy and be visible. Change is my job as a leader – my job is not embalming."

"CEOs often present change initiatives as "missions from God", but that is not enough – you need to be clear on explaining the purpose behind the change."

"It pays off to create the best team – weak leaders seek out weak people – and the other way around. High performers have strong networks and good people following them."

"Setting an example as a leader is key: On my first day as a new CEO, I showed up at our US office just to mark that we had big needs for change there."
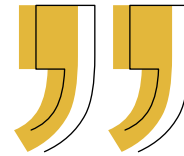
"Do not be afraid to make poor decisions
– if you are afraid, you will make no decisions at all."

"I did not have the best of beginnings in this change process. When I came in, I actually wanted to change the whole management team. Instead, I included a larger group of 50 people to craft the new vision and strategic plan. My management team felt deeply questioned, which of course was not good. Now, all of them, except for two people, have been replaced. Everything takes a lot longer if you need to get people's minds around the strategy, especially if they have been in the organisation for a long time."

"We recruited people from all over the world with the competences we needed – but also people who personify the new culture."
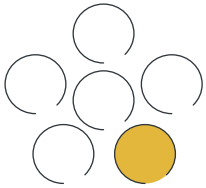
Effective stakeholder communication

Forming a guiding coalition

A relevant mapping of important stakeholders and a profound understanding of their views on the desired state is another important success factor when driving change:

- After securing the right core team, the next step is to secure an extended team of stakeholders who actively support the change process

- An important part of change planning is to identify and analyse important stakeholders (individuals and groups) and their standpoints in relation to the desired change

- The middle managers are often pointed out as being an important group of stakeholders, and several CEOs also commented that "sponsors" are important stakeholders. You need to have strong backup from your sponsors before you approach the rest of the organisation with difficult messages (key sponsors should of course include the Board/owners).
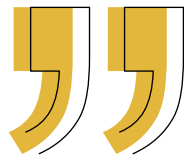
"Secure 100% backup from the owners! The owners need to be "all in"."

"It's important to be as clear as possible, straightforward, honest and open. If you include people, they feel that they are part of the change. They need to know the objective and the reason why we need to do this. The times when we are open and transparent, the change process works well. Preferably share more information than less information. Uncertainty makes people resist or become passive."

"Our model is to engage the middle managers – to make them take on the responsibility."

"We constantly underestimate the time it takes to penetrate all layers in the organisation with the necessary information."
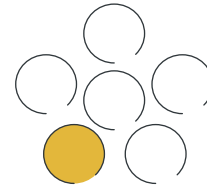
Creating high engagement

Involvement and participation – the king's road to win the hearts and minds of people

Almost all of the CEOs stressed that implementation of change stands and falls with all the people in the organisation who are prepared to think and act in a new way. Real change only occurs when people change their behaviour.

- As mentioned before, the CEOs talked about transparent communication as a way to gain respect and create confidence (although it is probably not a good idea to communicate about a reorganisation or downsizing long before it actually happens

- We also got some very concrete examples of methods and tools used to create high engagement:

  » "Dialogue maps" and "value games" are tools that middle managers use to organise dialogues with their employees on the desired change, the road to get there and the attitudes and values needed

  » "Round tables" is a recurring open meeting that anyone in the organisation can join to discuss the ongoing change process with members from the top management
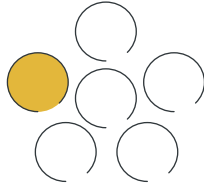
» "Hot spots" is a quarterly meeting with 10 – 15 invited employees, the CEO and a moderator, where all questions are allowed, and with the underlying assumption that the employees will communicate to others what they have heard

» Gathering and communicating "success stories" that exemplify behaviour moving in the right direction.

The importance of culture

With the right culture – anything is possible. With the wrong culture – everything is impossible.

All of the CEOs stressed that the culture plays a key role when it comes to succeeding with change – with the right culture in place, the chances of success are high – with the wrong culture, most change initiatives fail to deliver the expected results.

Two challenges were often mentioned:

• How to clearly define and communicate "the right" culture, and what "good" looks like in terms of attitude and behaviour in the organisation?

• How to change a dysfunctional culture, or how to upgrade a fundamentally positive culture to make it support the new reality of the company?

Many interesting discussions followed and this is clearly an engaging area, but what all the CEOs agreed on was a basic fact: There are many ways to address the culture-related challenges, there are very few "truths", and the real mistake, which is unfortunately frequently made, is to not address this somewhat intangible area at all.
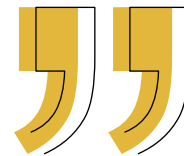
"The culture has a huge impact on a change journey, but you cannot "create" a culture – you have to allow it to evolve."

"Change needs to become part of the DNA of the corporate culture, and the culture development process needs to go hand in hand with the strategy process."

"With the right culture in place, you do not need to worry – everything will work – it will happen within the walls."

"The role of the culture is very important when driving change, but we have different cultures in different parts of the company – in Växjö, they like changes, in Karlstad, they hate it."

"What really creates the change in the organisation is the culture and the people – the structure is less important."

"A manager can achieve a mechanical change, but a cultural change requires leadership – to get someone out of his/her comfort zone requires that it is identified what makes him/her "tick"."

4. Concluding reflections

One of our key questions to the CEOs during the interviews was **why implementing change successfully (still) seems to be so hard to accomplish?** One possible answer could be "because it is"! And it will never be easy. The essence of change is that we ask people in our organisations – who are loyal to the present state (the boss that hired them, the colleagues they work with every day, their customers, their work tasks and the processes and procedures they use to perform those tasks etc.) and who are really trying to do their best – to let go of that loyalty and become loyal to something new. The process of letting go of the present way of working and adopting and being loyal to a new way will never be easy. Furthermore, if we approach this challenge with a process that is not perceived as "fair" by the people who are expected to change their behaviour and mindset, we are probably facing major difficulties.

Another of our key questions was **what really works when driving change.** When listening to the CEOs, there is no doubt that there is a preference towards a planned and structured approach. But we also noticed that there was a strong opinion about the necessity of involving a larger group of stakeholders at an early stage of the change process. Could this indicate a shift in the way we think about change? In a more traditional way of driving change, there is a small group of people (usually at the top of the organisation)

who initiate and define the desired state and create the plan for implementation. While the larger group of people, who are on the receiving end, need to be convinced and motivated at a later stage of the process. We hear that this approach is increasingly questioned, driven by the speed and complexity in today's society. We see a clear movement towards a higher degree of involvement of larger groups of stakeholders in earlier stages of the change process. This is based on two assumptions: the assumption that decisions will be better when built on knowledge and experience from a larger group of people, and the assumption that the need for "translation and transfer" will be lower, when more people are involved at an earlier stage.

So does this mean that the role of the change leader is becoming less relevant, when more people become involved at an earlier stage? We do not think so. In fact, we believe that the role of good leadership is probably more important than ever. The CEOs we interviewed talked about **the need for strong change leadership;** leaders who give direction and who incarnate the desired change with authenticity and integrity. We fully share that view. We would also add that an important part of the CEO's responsibility is to prepare and support leaders at all levels in the organisation for their role as change leaders.

Further readings

Implement books:

From A to B
Leading Strategic Transformations
*By: Niklas Leifelt, Lars Kirkegård and
Stig Albertsen.* Published by Implement
Press

Change with Impact.
By: Implement Consulting Group
17 Thoughts and Paradoxes. Published
by Implement Press

Change & Effect
Five Principles for Implementing
Real Organizational Change
*By: Michael Kræmmer & Henriette
Divert.* Published by Implement Press

Implement Viewpoints:

Strategy as Transformation
Strategy & Growth
Challenge your View of Strategy as a
Driver of Real Change and Effect

Viewpoints on Change
Strategy & Growth
Strategy as Tranformation

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