MANAGERIAL EFFECTIVENESS SERIES

Strategy

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STRATEGY
PROCESS AND TOOLS

By

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INTRODUCTION

This manual is a collection of tools that leaders can use to build a strategy-focused organization. The goal of successful leadership is not simply to develop a great strategic plan—that's the easy part. What really matters is that those who will have to execute the plan understand it, are passionate about it and are capable of executing it, so that your organization makes steady progress toward achieving your vision.

The manual begins with a case study of an organization that employed the process described in this manual to develop a response to a crisis in education in the state of Colorado. Then follows an overview of our strategy methodology, which serves as the outline for the rest of the manual.

While we have used all the tools described here in consultation with our clients, most of what is included in this manual was developed by others. We have been blessed to have studied under great teachers and mentors and to have learned from their books.

The essential bibliography for creating the strategy-focused organization includes the following books, which, if you are in charge of strategy for your organization, you should buy and read:

Kaplan and Norton, The Balanced Scorecard (1996)
Kaplan and Norton, The Strategy Focused Organization (2001)
Kaplan and Norton, Strategy Maps (2003)
Paul Niven, Balanced Scorecard Step-By-Step (2002)
Paul Niven, The Balanced Scorecard for Public and Nonprofit Organizations (2004)
Todd Jick, The Challenge of Organizational Change (1992)
Todd Jick, Managing Change (1993)

These references fill gaps and answer questions not covered here.

THE UNIVERSITY OF DENVER, COLLEGE OF EDUCATION: A CASE STUDY

The University of Denver was interested in building a $5M addition to its private high school. A feasibility study revealed lukewarm interest. Fundraising would be difficult. A leading non-profit fundraising consulting company was contacted to determine whether they would be interested in the project. They declined, stating that they usually focused on larger projects.

The fundraising company was one of our strategy clients. Their new strategy was working well, their business was growing, and their people were excited about the changes. One morning, their CEO Bob and I were having breakfast. He mentioned the University of Denver project and said, "I wonder if we can take a $5M project and turn it into $50M project. I know there's a bigger need. What they really need in Colorado is the 'go-to' place for education." Over the next several weeks we researched and brainstormed $50-100M ideas for education in Colorado.

Gathering Intelligence

Our "environmental scan" revealed that education in Colorado was in trouble. The U.S. Department of Education's yearly assessment of the quality of education in the states revealed that Colorado had slipped to 48th, tied with the State of Mississippi. The legislature was deadlocked in a battle between liberals and conservatives about what to do about it. Funding for education was being cut. Everyday, the papers were filled with articles about the problems with education in both urban and rural areas.

To make matters worse, our "internal scan" revealed that the Colleges of Education in both private and public universities worked within traditional models of higher education, which value academic freedom. This meant that faculty members worked independently and could take their research and teaching in any direction that interested them, regardless of relevancy to the problems plaguing public education. Few focused and collaborative efforts existed among the state's top educational researchers and public school practitioners to improve the quality of education in the community.

Bob introduced me to two Colorado educators: Tony Lewis, the head of a major educational foundation and Ginger Maloney, the Dean of the College of Education at the University of Denver (DU). By the end of the conversation we agreed that what Colorado needed was not a $5M addition to a private university high school, but "a College of Education whose excellence and innovation would produce the leadership needed to improve education throughout the Rocky Mountain Region." Tony's foundation agreed to pay our consulting fee, and Ginger and I set off to develop the strategy.

Mentoring Strategic Thinking

For several days I met with Ginger to assess her leadership capabilities and to coach her in the strategic planning process. During this time we also conducted an assessment of the University's and College's readiness and capability to develop and execute the plan. We identified potential problems, areas to strengthen and resources on which we could depend to make the strategy work.

Ginger is one of the most respected educators in Colorado. She has a national reputation and is trusted in both academic and public educational settings. When she speaks, people listen. She was the perfect leader for this project. Throughout our year-long process I served as a strategy coach for Ginger. For the most part, she led the process.

Forming the Strategy Team and Defining the Preliminary Vision

Ginger identified and won the commitment of key faculty members, program leaders and University administrators, whom she asked to serve on the strategy team. These were the leaders who would ultimately execute the plan. We met with them individually and as a group to discuss the big idea, to define the process, to win their commitment and to gather perspectives from which to create a preliminary vision. The strategy team was trained in strategy mapping and balanced scorecard processes, which we later used to develop and implement the strategy. With their input, Ginger and I made a first attempt at creating a one-page vision statement. Ginger has a Ph.D. from Yale; I have a Ph.D. from Princeton. We thought our statement was pretty good. We shared it with the strategy team. They liked it. But by the end of the stakeholder interview process described below, not one single word from our original statement remained! The collective intelligence of the stakeholder group improved it tremendously.

Identifying and Interviewing Key Stakeholders

The Strategy Team identified 150 key stakeholders throughout Colorado, all of whom had a stake in quality education and had the power to make it better. The stakeholder group included students at all educational levels, parents, teachers, principals, superintendents, board members, government officials, Deans of Colleges of Education, Deans of Colleges of other disciplines (Natural Sciences, Information Sciences, Psychology, etc.), the faculty and staff at the College of Education at DU, Provosts and Chancellors, prominent business leaders, faculty members from DU, experts in early childhood education, the heads of major educational foundations, and a group we called “screamers” (vocal opponents of the status quo in Colorado education).

We developed a process to interview these stakeholders individually and in focus groups. Over a three-month period, we traveled around the state and conducted the interviews: we asked key questions, listened, shared the preliminary vision and asked for input not only about the vision, but also about what could be done to realize it. We revised the vision statement as we moved through this process and then returned to key stakeholders for feedback. In the end we achieved enthusiastic buy-in from a large majority of the stakeholders. One meeting in particular was a milestone event—one of the most liberal and wealthy individuals in the state came up to us with one of the most conservative and wealthy individuals in the state and said, “We both want to be a part of this.”

Identifying the Keystone Objectives (Strategy Mapping)

After the stakeholder interviews, we came back to the strategy team with the revised vision statement and used the strategy mapping process to identify the objectives that would get us there. We defined a succinct strategy and ten objectives. The objectives were developed from the four major perspectives of the strategy map: community, internal, learning and growth, and financial.

We then held a retreat for the faculty. They approved the vision, refined the objectives, and began to identify leading and lagging measures for each objective. For the College of Education to transform itself from a "school" into "the go-to place for education in the Rocky Mountain region," meant that the College would have to be recognized as a "global leader in innovative and effective approaches to promoting learning," and that they would "become the community's first resource for leadership improving education, mental health and information systems and services." The strategy we adopted focused on "linking leadership development to community need."

The strategy team then created a "measure dictionary," which defined measures, targets and initiatives for each objective. Responsibility for measures and initiatives was assigned throughout the organization. The team listed all the measures together on a "Balanced Scorecard," which was later used to track progress on objectives.

Developing Departmental Plans

Each program leader (e.g., early childhood education, higher education, teacher preparation, school administration, counseling, library and information sciences) was given the assignment to take the broadly defined Keystone objectives and, by using strategy mapping and balanced scorecard processes, work out an action plan for their areas of responsibility. They did this with their respective teams. Over a period of several weeks, objectives, measures, targets, timelines, and initiatives related to innovation, excellence, leadership and community engagement were defined for each programmatic area. Initiatives were prioritized and staged over a period of years to make plan implementation manageable. Ginger presented the completed plan to the University Board of Trustees who endorsed it. The plan includes a capital campaign to raise over $30M for a new facility, money to endow two new chairs, and to fund several new programs related to community engagement. Bob's company was hired to assist in the fund-raising campaign. The Chancellor and President of the University cultivated major gifts.

Executing the Plan and Follow-up Activities

Every other week the program and staff leaders (the Strategy Team) meet with Ginger to review plan progress and to identify and resolve issues related to the plan. By using the Balanced Scorecard, they know at a glance where they need to focus to keep plan progress on target. Bob coaches Ginger and a development officer, who was hired for this project. I have continued to coach Ginger and members of the Strategy team as the plan is implemented. We've developed and are executing a communication plan to raise visibility and increase excitement for the College inside the University and in the community. Ginger is busy building her network and increasing political sponsorship for the College. In addition, expertise in balanced scorecard and strategy mapping was identified within the University (in HR and at the Business School) and these individuals are available on-site to assist program leaders as they implement their plans.

Debrief

1. What driving forces made the College of Education ready for a new strategy?

2. What actions did Ginger take to ensure the successful execution of the plan?

3. What else could she have done?

4. What parts of the process were helpful in minimizing resistance?

5. What else could have been done to minimize resistance?

6. What is the mission of your organization?

7. What are some of the driving forces necessitating change in your organization?

8. What are some of the inhibiting forces that might make change difficult?

9. What has been your experience with the strategic planning process?

THE STRATEGY PROCESS: AN OVERVIEW

Strategy-focused organizations begin the strategic planning process with the end in mind. The best plan on paper is useless unless it is executed. The strategy process therefore focuses on ascertaining whether or not your organization is ready to change and capable of implementing a plan, on creating buy-in from all key stakeholders, on coaching ongoing strategic thinking with those who will implement the plan on a day-to day basis, and in defining the objectives, measures, targets, initiatives and systems of communication and accountability that ensure plan implementation.

Assess Readiness and Capability

In recent years, the strategic planning process has gotten a bad name. After spending a lot of time and money developing a strategic plan, many organizations have been unable to implement it in a consistent and focused way. Plans fail to achieve the intended result and do not result in long-term meaningful change. In fact, a recent study conducted at Harvard Business School revealed that only 10% of all organizations that have a strategic plan were able to execute it (Kaplan and Norton, 1999). Another study attributed 70% of all CEO failures to the inability to execute their strategy (Fortune, June 21, 1999).

Strategic plans fail for a number of reasons:

- ***Complexity***. The employees or stakeholders fail to understand the strategy. The strategy is too complex or is poorly designed.
- ***Lack of motivation***. Few managers have incentives linked to strategy.
- ***Weak leadership***. 85% of executive teams spend less than one hour per month discussing strategy.
- ***Lack of resources***. 60% of organizations don't link budgets to strategy.
- ***Failure to communicate***. Most organizations don't have a plan to communicate strategy.
- ***Resistance***. Executives fail to achieve buy-in from employees and key stakeholders, and underestimate the degree of resistance that inevitably greets change

In sum, a strategy will fail when the organization that creates it is not ready to change or is not capable of executing it.

If you want your plan to succeed, your organization must be ready to change and be capable of carrying out the actions required to execute the plan. ***From the beginning of the strategic planning process and throughout it, strategy-focused leaders assess readiness and capability.***

Key questions in assessing readiness and capability include the following:

- Is there senior level sponsorship for the changes that the new strategy will require?

- Is there sufficient mid-level leadership throughout the organization (among the people who will call the meetings, set the goals, and work until midnight) to execute the strategy?
- Is there a strong sense of urgency coming either from outside the organization or within it that is driving the change in strategy?
- Does this sense of urgency originate with senior leadership and cascade throughout the organization?
- Does the senior leadership believe that the future should look different from the present?
- Is management's level of trust sufficient to mobilize employees, the board and other key stakeholders?
- Are performance measures already in place throughout the organization?
- How turf conscious are functional leaders (e.g., program, accounting, marketing, purchasing)?
- Are competitive benchmarks for organizational performance already in place?
- How well do we know those we serve or our customers, clients, constituents?
- Do current reward systems encourage innovation, problem-solving, and execution?
- Does the organization have in place a means of two-way communication that reaches all levels of the organization and that all employees use and understand?
- Is there prior experience with successful implementation of change?
- Do current employees enjoy working in the organization and is the level of individual responsibility high?
- Are decisions made quickly taking in a wide variety of suggestions?

As information is gathered and stakeholders are "tested" regarding the questions above, if, for some reason, leaders conclude that the organization (or segments of the organization) is not ready or capable of implementing the changes required by the strategy, the relevant issues should be brought forward for resolution prior to continuing the process.

Gather Business Intelligence

Information is power. Leaders weighing strategic decisions need accurate intelligence on which to make strategic decisions. This "intelligence" includes information about the social and political environment, about their competition, the constituencies they serve or their market, macro-economic conditions, their own programs, their distribution channels, and opportunities for collaborations, investments and/or acquisitions. The process of gathering business intelligence is sometimes called the "environmental scan." Having objective data is not only critical for developing strategy, it is also essential later in the process when leaders will need to sell or defend strategic decisions to key stakeholders.

Research tools used to conduct the environmental scan include:

- Competitive situation analyses
- New venue and new channel searches
- Acquisition consulting, including searches, due diligence and investment appraisals
- Business unit and product profitability analyses

- Cost reduction analyses
- Competitive benchmarking
- Make/buy and shared services analyses
- Customer surveys
- External stakeholder interviews
- Internal reports and consultant studies

Some of these tools may not be relevant for your project. Each leader or strategy team will want to custom-design their own environmental scan so that they have the information they need to make wise strategic decisions.

Coach Strategic Thinking

The failure of the strategic planning process has led some organizations to give up the process altogether. Today, with the increased pace of change and the constant pressure to maintain a competitive advantage, executives are taught to think strategically not just at the yearly planning "retreat," but all the time. The "ready, ready, ready, ready, aim, aim, aim, aim, FIRE!" approach to strategic planning has been replaced in many organizations by a "ready, FIRE, aim" approach in which leaders are always thinking and acting strategically to continuously improve the performance of their business or organization.

We believe that it is essential for leaders to learn how to think strategically—to develop competencies in the areas of foresight, systems thinking, visioning, motivating and partnering. The executives we know who are leading great, growing organizations are strategists—they focus everyday on refining and executing their strategy.

While some organizations have given up on strategic planning, we believe that strategies designed with an eye toward execution are still relevant for many organizations. They require strong leaders who are strategic thinkers and implementers. ***Coaching, mentoring and modeling the elements of strategic focus with key leaders, the strategy team and stakeholders is an essential part of developing and executing a great strategy.***

Draw the Strategy Map

To create the strategic plan, we use a strategy mapping process developed by Kaplan and Norton at Harvard Business School. This process, combined with the Balanced Scorecard (see below), is now used by over 50% of the Fortune 1000 companies for strategy development, communication and implementation. We have found that using this methodology, a significant majority of our clients achieve the successful implementation of their strategy. (Others have failed at execution due to factors such as a change in senior leadership, the need to abandon or revise the strategy due to an unanticipated acquisition, merger or change in the market, or a failure to buy-in to the whole process).

The strategy mapping process begins with the big "identity" questions—the questions that go to the heart of why you exist as an organization:

- **Mission**: Why do we exist?
- **Core Values**: What do we believe that guides our work and decision-making?
- **Vision**: Where do we want to go?
- **Strategy**: What actions are essential to achieve the vision?

The answer to the last question generates the objectives of your strategic plan. Objectives are formulated by answering questions related to four critical and interrelated perspectives:

The Financial Perspective: How will we know financially that our strategy is working and that we are achieving our vision? How can we increase revenue and decrease costs so that we can increase shareholder value? What are the key leading and lagging financial indicators of success?

The Customer/Stakeholder Perspective: Who are the customers we want and how will we have to be perceived by them to get and retain their business? Who are our key stakeholders? From the perspective of our key stakeholders (those who will judge whether or not we are successful), how will we have to be perceived to achieve our vision? What service attributes, what kind of relationships will be required? How can we strengthen our brand?

The Internal Perspective: What kind of organization will we have to be internally to achieve the stakeholder perception identified above? What kind of employees, leadership, competencies, management and structure will we need? How will we have to engage our customers (marketing, public relations)? At what operational processes will we need to excel? What partnerships or alliances can help us achieve our vision?

The Learning and Growth Perspective: How will we have to grow and what will we have to learn to become the organization that will achieve the stakeholder perception identified above? What training or coaching will be required? What technological changes will be required? What organizational culture will be required?

For-profit organizations, in which the primary stakeholder is the shareholder, will normally place the financial perspective on top. Not-for-profit organizations, who exist for their mission, normally will have achieved their vision when their primary stakeholders deem them successful. For them the ***financial perspective*** is a necessary resource, which when developed, enables ***learning and growth,*** which changes the organization ***internally,*** which allows the organization to ***serve the stakeholders,*** and thereby achieve its vision.

Through this process of analyzing these four strategically central perspectives, ***8-12 Keystone Objectives*** are identified that, when completed, will lead the organization toward achieving its vision. Through the mapping process, objectives in the four perspectives are linked and causal relationships are defined. The organization can tell its strategy "Story," "For 'x' amount of money, we can implement 'y' changes, which will make us 'z' kind of organization, which will allow us to do 'abc' for the community, which leads us toward our vision, and results in the fulfillment of our mission."

At the end of the process, for each Keystone Objective required to achieve the vision, measures, targets, and initiatives are identified. The process is then cascaded down throughout the organization so that everyone understands the strategy, knows what they have to do to execute it and can measure their effectiveness in executing it. We have a map to get us where we want to go.

Draft the Action Plan

The Strategy Team and division leadership now develop the strategy action plan. The strategic plan begins with a simple one-page statement of the 8-12 Keystone Objectives that will lead your organization toward achieving its vision. The rest of the strategic plan is an "action" plan, developed at the executive level, then cascaded down through each division/department/ committee. The action plan defines in priority order what needs to be done to achieve each objective. Under each objective all the measures, targets and initiatives required to achieve it are delineated. Each page of the plan is a chart that provides information about a particular objective. Included on that page is:

- A description of the objective
- The person in charge of the objective
- The formula or measure used to determine progress in achieving the objective
- Whether this measure is a leading or lagging indicator of success
- The data source for the measure
- Baseline against which to measure progress
- Targets (including dates and percentage complete)

Division or program leaders develop the action plans for their areas. These leaders take the broadly defined Keystone Objectives and make them happen in the details and daily activities of their own areas. They may need coaching or training to do this effectively.

Sometimes during the strategic planning process, when planning is at the executive level, a conclusion is reached that the new strategy requires a restructuring of the organization. As Jim Collins has said in his book Good to Great, "Get the right people on the bus (and the wrong people off), get the right people in the right seats, and then decide where the bus is going." With new leadership in place the process of developing programmatic or divisional action plans continues.

Develop Follow-Up Mechanisms and Manage Changes

After the plan is finalized we then develop the Balanced Scorecard. The Balanced Scorecard is a successful and widely-used communication and follow-up mechanism, which enables every member of the organization to see at a glance the success of the organization in executing its strategy. In a one page report, distributed at regular time intervals (daily, weekly, monthly), to all people responsible for executing the plan, the leading and lagging measures of success for each objective are scored by a green, yellow or red dot. Green means that we're on target to meet our objective. Yellow means that we're a little behind. Red means that we're in trouble. In this manner, members of the team can hold one another accountable and problem areas can be identified and addressed expeditiously.

The Communication/Implementation Plan. A necessary objective, essential to all strategic plans, involves managing the process by which the plan is communicated inside and outside the organization. Some actions required to manage change begin while the plan is being formulated and have been discussed above, including the assessment of the organization's readiness and capability, the process of creating a shared vision and common direction, the development of a strong leader role, and the development of an action-oriented plan.

After the plan is launched, the following activities increase stakeholder ownership and motivation:

- Meetings or focus groups with employees to create a shared vision and common direction, describe the plan and answer questions
- Activities or displays that honor the past but separate the organization from it
- Statements from leadership that create a sense of urgency
- Work at the leadership level to line up political sponsorship
- Enabling structures and reinforcements
- Intentional involvement of and honesty with resisters
- Ongoing communication about strategy execution
- Processes that monitor, refine, and institutionalize change

Step One

Assess Readiness and Capability

ASSESS READINESS AND CAPABILITY

In recent years, the strategic planning process has gotten a bad name. After spending a lot of time and money developing their strategic plan, many organizations have been unable to implement it in a consistent and focused way. Their plans fail to achieve the intended result and do not result in long-term meaningful change. In fact, a recent study conducted at Harvard Business School revealed that only 10% of all organizations that have a strategic plan were able to execute it (Kaplan and Porter, 1999).

Strategic plans are failing for a number of reasons:

- Complexity. The employees or stakeholders fail to understand the strategy. The strategy is too complex or is poorly designed.
- Lack of motivation. Few managers have incentives linked to strategy.
- Weak leadership. 85% of executive teams spend less than one hour per month discussing strategy.
- Lack of resources. 60% of organizations don't link budgets to strategy.
- Failure to communicate. Most organizations don't have a plan to communicate strategy.
- Resistance. Executives fail to achieve buy-in from employees and key stakeholders, and underestimate the degree of resistance that inevitably greets change

In sum, a strategic plan will fail when the organization that creates it is not ready to change or is not capable of executing it.

If you want your plan to succeed, your organization must be ready to change and be capable of carrying out the actions required to execute the plan. ***From the beginning of the strategic planning process and throughout it, strategic leaders assess readiness and capability.***

Key questions in assessing readiness and capability include the following:

- Is there senior level sponsorship for the changes that the new strategy will require?
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- Is there a strong sense of urgency coming either from outside the organization or within it that is driving the change in strategy?
- Does this sense of urgency originate with senior leadership and cascade throughout the organization?
- Does the senior leadership believe that the future should look different from the present?
- Is management's level of trust sufficient to mobilize employees, the board and other key stakeholders?
- Are performance measures already in place throughout the organization?

- How turf conscious are functional leaders (e.g., program, accounting, marketing, purchasing)?
- Are competitive benchmarks for organizational performance already in place?
- How well do we know those we serve or our customers, clients, constituents?
- Do current reward structures encourage innovation, problem-solving, and execution?
- Does the organization have in place a means of two-way communication that reaches all levels of the organization and that all employees use and understand?
- Is there prior experience with successful implementation of change?
- Do current employees enjoy working with the organization and is the level of individual responsibility high?
- Are decisions made quickly taking in a wide variety of suggestions?

These questions essentially ask whether there is adequate motivation and incentive for and benefit in the changes (Readiness) and whether there are enough supports, enablers, and skills (Capability) to enact them. Change ultimately occurs and sticks when people are convinced that the change makes sense and that they have the skills required. Thus, managing the change process requires joint attention to both motivational and skill factors.

As information is gathered and stakeholders are "tested" regarding the questions above, if, for some reason, leaders conclude that the organization (or segments of the organization) is not ready or capable of implementing change, the relevant issues should be brought forward for resolution prior to continuing the process.

READINESS AND CAPABILITY QUESTIONNAIRE

Directions: The left-hand column lists 17 key elements of change readiness. Rate your organization on each item according to the following scale: Give three points for a high rating ("We're good at this. I'm confident of our skills here."). Give two points for a medium score ("We're spotty here. We could use improvement or more experience."). Give one point for a low score ("We've had problems with this; this is new to our organization."). Be honest.

Category	Score
Sponsorship	
The sponsor of strategic change is not necessarily its day-to-day leader, he or she is the visionary, chief cheerleader, and bill payer—the person with the power to help the team change when it meets resistance. Give yourself three points (change will be easier) if sponsorship comes at a senior level; for example, CEO, COO, or the head of an autonomous business unit. Weakest sponsors: mid-level executives or staff officers.	
Leadership	
This means the day-to-day leadership—the people who call the meetings, set the goals, and work till midnight. Successful change is more likely if leadership is high level, has "ownership" (that is, direct responsibility for what's to be changed) and has clear business results in mind. Low-level leadership, or leadership that is not well connected throughout the organization (across departments) or that comes from the staff, is less likely to succeed and should be scored low.	
Motivation	
High points for a strong sense of urgency from senior management, which is shared by the rest of the organization, and for a corporate culture that already emphasizes continuous improvement. Negative: tradition bound managers and workers, many of whom have been in their jobs for more than 15 years; a conservative culture that discourages risk taking.	
Direction	
Does senior management strongly believe that the future should look different from the present? How clear is management's picture of the future? Can management mobilize all relevant parties (e.g., employees, the board, customers) for action? High points for positive answers to those questions. If senior management thinks only minor change is needed, the likely outcome is no change at all; score yourself low.	

Measurements

Or in consultant-speak, “metrics.” Three points if you already use performance measures of the sort encouraged by total quality management (defect rates, time to market, etc.) and if these express the economics of the business. Two points if some measures exist but compensation and reward systems do not explicitly reinforce them. If you don’t have measures in place or don’t know what we’re talking about, one point.

Organizational Context

How does the change effort connect to other major goings-on in the organization? (For example: Does it dovetail with other process improvement efforts? Does it fit with actions or programs that are already working well?) Trouble lies ahead for a change effort that is isolated or if there are multiple change efforts whose relationships are not linked strategically.

Processes/Functions

Major changes almost invariably require redesigning business processes that cut across functions such as purchasing, accounts payable, or marketing. If functional executives are rigidly turf conscious, change will be difficult. Give yourself more points the more willing they-and the organization as a whole-are to change critical processes and sacrifice perks or power for the good of the group.

Competitor Benchmarking

Whether you are a leader in your area of service or a laggard, give yourself points for a continuing program that objectively compares your organization’s performance with that of competitors and systematically examines changes in your market. Give yourself one point if knowledge of competitors’ abilities is primarily anecdotal-what you’ve heard from a friend.

Service Focus

The more everyone in the organization is imbued with knowledge of those you serve, the more likely that the organization can agree to change to serve them better. Three points if everyone in the workforce knows who his or her constituents are, knows their needs, and has had direct contact with them. Take away points if that knowledge is confined to pockets of the organization (sales and marketing, senior executives).

Rewards

Change is easier if managers and employees are rewarded for taking risks, being innovative, and looking for new solutions. Team-based rewards are better than rewards based solely on individual achievement. Reduce points if your company, like most, rewards continuity over change. If managers become heroes for making budget, they won't take risks even if you say you want them to. Also: If employees believe failure will be punished, reduce points.

Organizational Structure

The best situation is a flexible organization with little churn—that is, reorganizations are rare and well received. Score yourself lower if you have a rigid structure that has been unchanged for more than five years or has undergone frequent reorganization with little success; that may signal a cynical company culture that fights change by waiting it out.

Communication

A company will adapt to change most readily if it has many means of two-way communication that reach all levels of the organization and that all employees use and understand. If communications media are few, often trashed unread, and almost exclusively one-way and top-down, change will be more difficult.

Organizational Hierarchy

The fewer levels of hierarchy and the fewer employee grade levels, the more likely an effort to change will succeed. A thick impasto of middle management and staff not only slows decision making but also creates large numbers of people with the power to block change.

Prior Experience with Change

Score three if the organization has successfully implemented major changes in the recent past. Score one if there is no prior experience with major change or if change efforts failed or left a legacy of anger or resentment. Most companies will score two, acknowledging equivocal success in previous attempts to change.

Morale

Change is easier if employees enjoy working in the organization and the level of individual responsibility is high. Signs of unreadiness to change: low team spirit, little voluntary extra effort, and mistrust. Look for two types of mistrust: between management and employees, and between or among departments.

Innovation

Best situation: The organization is always experimenting, new ideas are implemented with seemingly little effort; employees work across internal boundaries without much trouble. Bad signs: lots of red tape, multiple signoffs required before new ideas are tried; employees must go through channels and are discouraged from working with colleagues from other departments or divisions.

Decision Making

Rate yourself high if decisions are made quickly, taking into account a wide variety of suggestions; it is clear where decisions are made. Give yourself a low grade if decisions come slowly and are made by a mysterious "them"; there is a lot of conflict during the process, and confusion and finger pointing after decisions are announced.

Add up the Scores

IF YOUR SCORE IS

41-51: Implementing change is most likely to succeed. Focus resources on lagging factors (your ones and twos) to accelerate the process.

28-40: Change is possible but may be difficult, especially if you have low scores in the first seven readiness dimensions. Bring those up to speed before attempting to implement large-scale change.

17-27: Implementing change will be virtually impossible without a precipitating catastrophe. Focus instead on (1) building change readiness in the dimensions above and (2) effecting change through pilot programs separate from the organization at large.

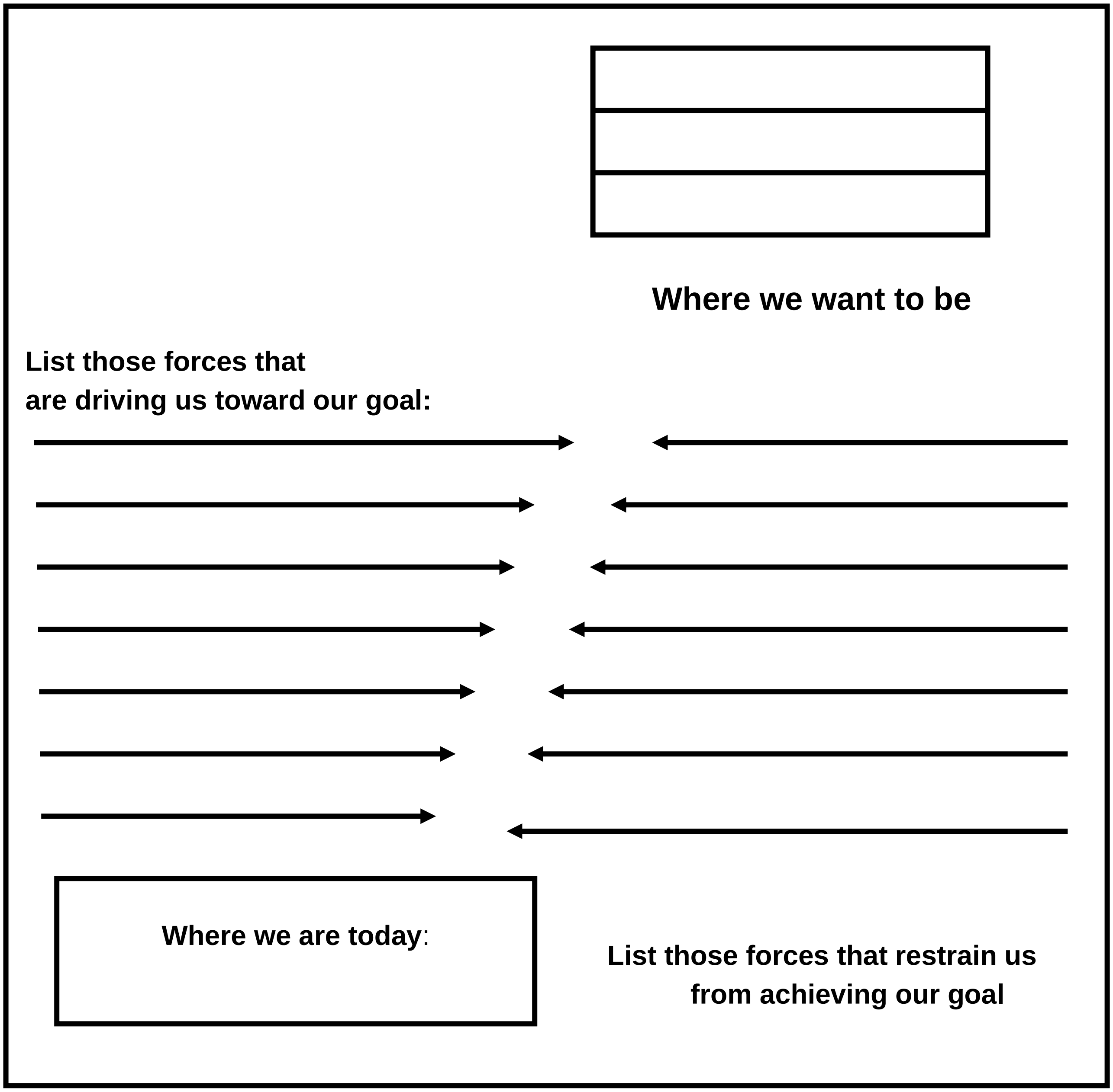
CHANGE STRATEGIES AND CONDITIONS FOR THEIR USE

Assessment of Degree of Change vs. Degree of Resistance Determines Strategy

If you need major change and face major resistance, a more dictatorial implementation strategy is most appropriate; but there are other conditions under which a more collaborative strategy is more appropriate. Managers should thus examine both the internal and external pressures that drive the change as well as the forces of resistance that are likely to obstruct it. That is, what are the major reasons for change or conditions that necessitate it, and what are the major barriers?

	Incremental Change Strategies	**Transformative Change Strategies**
Collaborative Modes	**Participative Evolution** Use when the organization is in good condition but needs minor adjustment, or is not in good condition, but time is available and key interest groups favor change.	**Charismatic Transformation** Use when the organization is not in good condition and though there is little time for extensive participation, there is support for radical change within the organization.
Coercive Modes	**Forced Evolution** Use when the organization is in good condition but needs minor adjustment, or when it is not in good condition and key interests groups oppose change, but time is available.	**Dictatorial Transformation** Use when the organization is not in good condition, there is not time for extensive participation, and no support within the organization for radical change, but radical change is vital to organizational survival and the fulfillment of its basic mission.

FORCE FIELD ANALYSIS



Identify forces competing for and against change. Simply put, if the forces for change are outweighed by the forces resisting it, the change goal is unlikely to be met. Each of the factors can be examined in terms of its criticality (value) as well as the likelihood that it can be increased if it is a force for change, or weakened if it is a force of resistance. This exercise serves two purposes. First, it helps organizations identify the factors, whether positive or negative, likely to affect change. Second, it compels them to plan from the start what they might do to address resistance and to strengthen the forces for change.

CURRENT STATE/DESIRED STATE ANALYSIS (SAMPLE)

Challenge	Current State	Desired State
Portfolio (Services, Products)	Marginal Quality	High Quality
Go to Market (Marketing)	Reactive	Proactive
Channels	Sales Team	Alliance Partners, Internet
Market Identity (Footprint)	Locally Based	National Identity
Business Model	Disconnected	Integrated
Infrastructure	Adhocracy	Uniform Practice Management
Target Client	Mid to Upper Tier	Mid to Upper Tier
People	"A" Players Stagnant	"A" Players Growing
Equity Value	Stable	Accelerating

STRATEGIC FOCUS:
SEVEN AREAS ESSENTIAL TO SUCCESS

You may want to consider analyzing these areas when conducting the current state/desired state exercise:

1. ***Portfolio***: With what services do we go to the community?
2. ***Proactive Marketing***: Which potential individuals or groups do we want to serve?
3. ***Channels***: Though which alliances and partnerships can we deliver our services?
4. ***Footprint***: In which geographies and venues do we want to focus our service efforts?
5. ***People***: How can we best manage our internal and external relationships, building trust with those we serve, our employees and partners?
6. ***Practice***: How can we best structure and manage our organization, operations and financial systems to ensure productivity, quality, and efficiency?
7. ***Finance***: How can we best ensure that we have the financial capital necessary to operate and expand our organization?

Step Two

Gather Business Intelligence

GATHER BUSINESS INTELLIGENCE

Information is power. Leaders weighing strategic decisions need accurate intelligence on which to make strategic decisions. This "intelligence" includes information about the social and political environment, about their competition, the constituencies they serve or their market, macro-economic conditions, their programs or distribution channels, and opportunities for collaborations, investments and/or acquisitions. The process of gathering business intelligence is sometimes called the "environmental scan." Having objective data is often also crucial later in the process when leaders will need to sell or defend strategic decisions to key stakeholders. Research tools used to conduct the environmental scan include:

- Competitive situation analyses
- New venue and new channel searches
- Acquisition consulting, including searches, due diligence and investment appraisals
- Department productivity and service profitability analyses ("Bang for Your Buck" Analyses)
- Cost reduction analyses
- Competitive benchmarking
- Make/buy and shared services analyses
- Constituent/Stakeholder/Donor surveys
- External stakeholder interviews
- Internal reports and consultant studies

Some of these tools may not be relevant for your project. Leader or strategy teams will want to custom-design their own environmental scan so that they have the information they need to make wise strategic decisions.

SOURCES OF BACKGROUND INFORMATION

Mission, Values, Vision and Strategy

- Existing mission statement
- Existing values statement
- Existing vision statement
- Existing strategy or strategic plan
- Organizational history
- Consulting studies
- Project plans

Financial

- Annual report
- Performance reports
- Analyst reports
- Trade journals
- Benchmark reports

Customers/Competitors/Stakeholders

- Interviews
- Marketing department
- Trade journals
- Consulting studies
- Project plans
- Existing strategic plan
- Performance reports
- Benchmark reports

Internal Processes

- Operational reports
- Manufacturing reports
- Competitor data
- Benchmark reports
- Trade journals
- Consulting studies
- Project plans

Employees Learning and Growth

- Human resources data
- Trade journals
- Core values
- Benchmarking reports
- Performance reviews
- Consultant studies
- Employee surveys
- 360 evaluations

Step Three

Coach Strategic Thinking

COACH STRATEGIC THINKING

The failure of the strategic planning process has led some organizations to give up the process altogether. Today, with the increased pace of change and the constant pressure to maintain a competitive advantage, executives are taught to think strategically not just at the yearly planning "retreat," but all the time. The "ready, ready, ready, ready, aim, aim, aim, aim, FIRE!" approach to strategic planning has been replaced in some organizations by a "ready, FIRE, aim" approach to strategy in which leaders are always thinking and acting strategically to continuously improve the performance of their business or organization.

We believe that it is essential for leaders to learn how to think strategically—to develop competencies in the areas of foresight, systems thinking, visioning, motivating and partnering. The executives we know who are leading great, growing organizations are strategists—they focus everyday on refining and executing their strategy.

While some organizations have abandoned strategic planning, we believe that strategies designed with an eye toward execution are still relevant for many organizations. They require strong leaders who are strategic thinkers and implementers. ***Coaching, mentoring and modeling the elements of strategic focus with key leaders, the strategy team and stakeholders is an essential part of developing and executing a great strategy.***

HOW STRONG ARE YOUR LEADERS?
STRATEGIC INTELLIGENCE: FIVE COMPETENCIES

1. ***Foresight***: the ability to anticipate how current movements, trends and forces will play out in the future, driving changes in technology, products, the global market, competitors and customer needs and values.

2. ***Systems thinking***: the ability to synthesize and integrate, to conceptualize the whole rather than a collection of separate parts, and to understand how the parts relate to the whole.

3. ***Visioning***: on the basis of foresight and systems analysis, visioning involves the process setting the direction for your organization.

4. ***Motivating***: the ability to get people—your business or social system—to embrace a common purpose and implement the vision.

5. ***Partnering***: the ability to make strategic alliances, on a personal and corporate level, consistent with the vision, which support its realization.

THE STRATEGY TEAM

Executive Sponsor

- Assumes ownership of the strategy project
- Provides background information to the team on strategy and methodology
- Maintains communication with senior management
- Commits resources (human and financial) to the team
- Provides support and enthusiasm for the strategy process throughout the organization

Strategy Champion

- Coordinates meetings, plans, tracks and reports team results to all audiences
- Provides thought leadership to the team on strategy methodology
- Ensures that all relevant background material is available to the team
- Provides feedback to the executive sponsor and to senior management
- Facilitates the development of an effective strategy team through coaching and support

Team Members

- Provide expert knowledge of business unit or functional operations
- Inform and influence their respective senior executives
- Act as strategy ambassadors within their unit or department
- Act in the best interest of the business as a whole
- Will have important roles in strategy implementation
- Are trusted and respected throughout the organization

Organizational Change Expert

- Increases awareness of organizational change issues
- Investigates change-related issues affecting the strategy project
- Works with the team to produce solutions that mitigate change-related risks

STRATEGY TEAM GROUND RULES

1. Foster a Dialogical Climate (Create an executive culture where leaders talk openly, directly and constructively to one another)

- Prize the emotional side of life (venting, catharsis, expression)
- Be intentional about the process of inclusion (structure inclusion)
- Focus on the practical, about what can be done to make progress

2. Structure Meetings Purposefully

3. Decrease Fear/Anxiety/Stress

- Deepen spirituality
- Provide encouragement and support
- Create and environment of safety
- Slow the process
- Clearly define roles (role clarity)

4. Decrease Seriousness, Increase Playfulness (Seriousness is a symptom of chronic anxiety)

5. Discourage Secrets

6. Focus More on Process, Less on Content (More on the future, less on the past)

7. Interrupt Dysfunctional Interaction Patterns by Making the Non-Conscious Conscious

- Triangulation: be direct
- Gossip and rumors: problem is listening to gossip, "Have you spoken with . . ."
- No talk: let's talk
- Blame: look inside
- Be nice: be proactive; ask for permission not to follow the norm
- No anger: it's O.K. to be angry, not O.K. to attack; acknowledge it

8. Develop a Clear Process for Resolving Disputes

- Clear policies and procedures
- Avenues to express grievances

9. Continuously Manage Polarities

THE THREE GREAT POTENTIALS OF GREAT STRATEGY TEAMS

Effective strategy teams are unsurpassed in their ability to:

1. Produce quality solutions

- When the problem is simple and an individual is an expert, individuals make decisions that are of equal or superior quality than teams, in a shorter period of time.
- When the problem is complex and multifaceted, when there is no one expert and the team is working well as a group, the group will make a higher quality decision than even the best member.
- Teams increase the range of ideas considered.
- Teams increase the ability to spot and weed out bad ideas.
- Various view points lead to synergistic solutions: solutions that are a win for all.

2. Guarantee their implementation

- Decisions are more likely to be effectively implemented when made by a group than by an individual acting autonomously.
- Teams provide support.
- Need for buy-in on complex solutions.
- Members will put out extra effort if they know they are accountable to the team.
- Not wanting to let the team down dramatically increases the chances that decisions will be implemented.

3. Be a source of learning for the members

- Team members can increase their competencies on a task or technical level, when group norms support learning from each other.
- Team members can increase their interpersonal and group skills:
    - They learn how to take the larger viewpoint and not get locked into the specificities of their own area.
    - They learn how to solve problems creatively with others.
    - They learn to be influential and open to influence.
    - They learn how to build group norms and procedures.

THREE ESSENTIALS FOR BUILDING EFFECTIVE STRATEGY TEAMS

A. Build Group Cohesiveness

1. "Cohesion" represents the extent to which members of the group represent their separate areas versus identify with a common goal. Being a federation of separate interests diminishes the potential that groups can provide:

    - By promoting predetermined positions, members will inhibit objectivity in exploring issues.

    - By protecting their turf, members decrease interdependency.

    - Rather than creative problem-solving, decisions are made by compromise or by the "person in charge."

2. Indications that a group has problems with cohesion or is a federation rather than a union:

    - Members delegate "upward" the responsibility for the overall good.

    - Each member primarily represents his or her own area (silos) and is satisfied if proposed solutions do not interfere with or benefit her/his area.

3. Cohesiveness is defined as the extent to which members are attracted to the group. Ways to build cohesion and move beyond a federation include:

    - Redefine the purpose of the group.

    - Make the group a vehicle for getting tasks accomplished.

    - Make the group a source of prestige in the organization (visibility and access).

    - Make the group a source of support to team members.

    - Build commitment to the group's objectives by dealing with the core issues.

    - Make decisions by consensus.

B. Focus on Effective Problem-Solving

1. Overcome the common traps in the problem-solving process.

2. Realize that problems are not always solved by following a sequential process.

3. Correctly diagnose the problem.

4. Develop and evaluate multiple solutions.

5. Make quality decisions by consensus.

6. Implement decisions effectively.

C. Manage How the Group Operates as a Group

1. How do we mesh individual talent to achieve coordinated action? The issue of integration involves not only the diversity of ideas but the different work styles and temperaments of the team members.

2. Issues of coordination and control involve regulations and procedures that guide the team in how it operates. In small groups these are often rules, norms and patterns of interaction.

ASSESS YOUR LEVEL OF COMMITMENT

Given what you know about the strengths and weaknesses of the people on the strategy team:

- *do you consider them competent enough*
- *do you trust them enough*
- *are you willing to collaborate with them enough*
- *are you willing to forgive and move on enough*
- *are you confident enough in your own ability . . .*

. . . to work with them collaboratively to lead your organization to great success?

Step Four

Draw the Strategy Map

DRAW THE STRATEGY MAP

Your strategy is the story of your organization's future success. Its primary content is the set of activities you will undertake to achieve your vision. The purpose of the strategy map is to define these activities and show their relationship to one another. Through strategy development, you create a future story for your organization, which narrates in advance your "future" history—your moves, your successes and your heroes.

To create the strategic plan, we use a strategy mapping process developed by Kaplan and Norton at the Harvard Business School. This process, combined with the Balanced Scorecard (see below), is now used by over 50% of the Fortune 1000 companies for strategy development, communication and implementation. Using this methodology, many organizations are achieving the successful implementation of their strategy. (Others have failed to execute due to a change in senior leadership, the need to abandon or revise the strategy due to an unanticipated acquisition, merger or change in the market, or a failure of leadership to buy-in to the whole process).

The strategy mapping process begins with the big "identity" questions—the questions that go to the heart of why you exist as an organization:

- **Mission**: Why do we exist?
- **Core Values**: What do we believe that guides our work and decision-making?
- **Vision**: Where do we want to go?
- **Strategy**: What actions are essential to achieve the vision?

The answer to the last question is your strategic plan. It is built by answering questions related to four critical and interrelated perspectives:

The Financial Perspective: How will we know financially that our strategy is working and that we are achieving our vision? How can we increase revenue and decrease costs so that we can fund our strategy? What are the key leading and lagging financial indicators of success?

The Customer/Stakeholder Perspective: Who are our key customers/stakeholders? From the perspective of our key customers/stakeholders, how will we have to be perceived to achieve our vision? For example, will they have to perceive us as having the best quality, being the best partner, and/or providing the easiest access?

The Internal Perspective: What kind of organization will we have to be internally to achieve the customer/stakeholder perception identified above? What kind of leadership, competencies, management and structure will we need? How will we have to engage our stakeholders (marketing, public relations)? At what operational processes will we need to excel? What partnerships or alliances can help us achieve our vision?

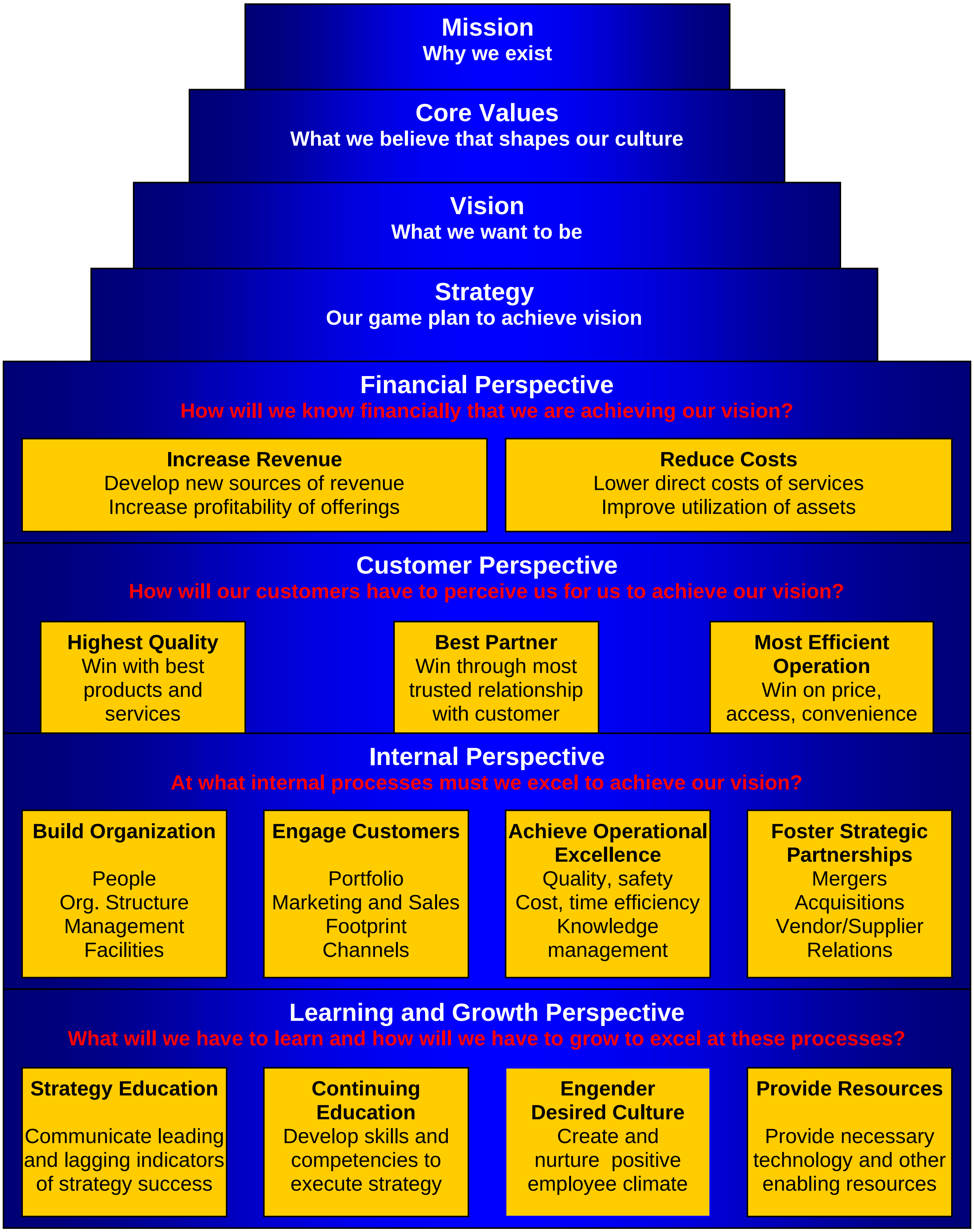
The Learning and Growth Perspective: How will we have to grow and what will we have to learn to become the organization that will achieve the customer/stakeholder perception identified above? What training or coaching will be required? What technological changes will be required? What logistical changes will be required?

For-profit organizations, in which the primary stakeholder is the shareholder, will normally place the financial perspective on top. Nonprofit organizations who exist for their mission, normally will have achieved their vision when their primary stakeholders deem them successful. For them the ***financial perspective*** is a necessary resource, which when developed, enables ***learning and growth,*** which changes the organization ***internally,*** which allows the organization to ***serve the stakeholders,*** and thereby achieve its vision.

Through this process of analyzing these four strategically central perspectives, ***8-12 Keystone Objectives*** are identified that, when completed, will lead the organization toward achieving its vision. Through the mapping process, objectives in the four perspectives are linked and causal relationships are defined. For "x" amount of money, we can implement "y" changes, which will make us "z" kind of organization, which will allow us to do "abc" for the community, which leads us toward our vision, and results in the fulfillment of our mission.

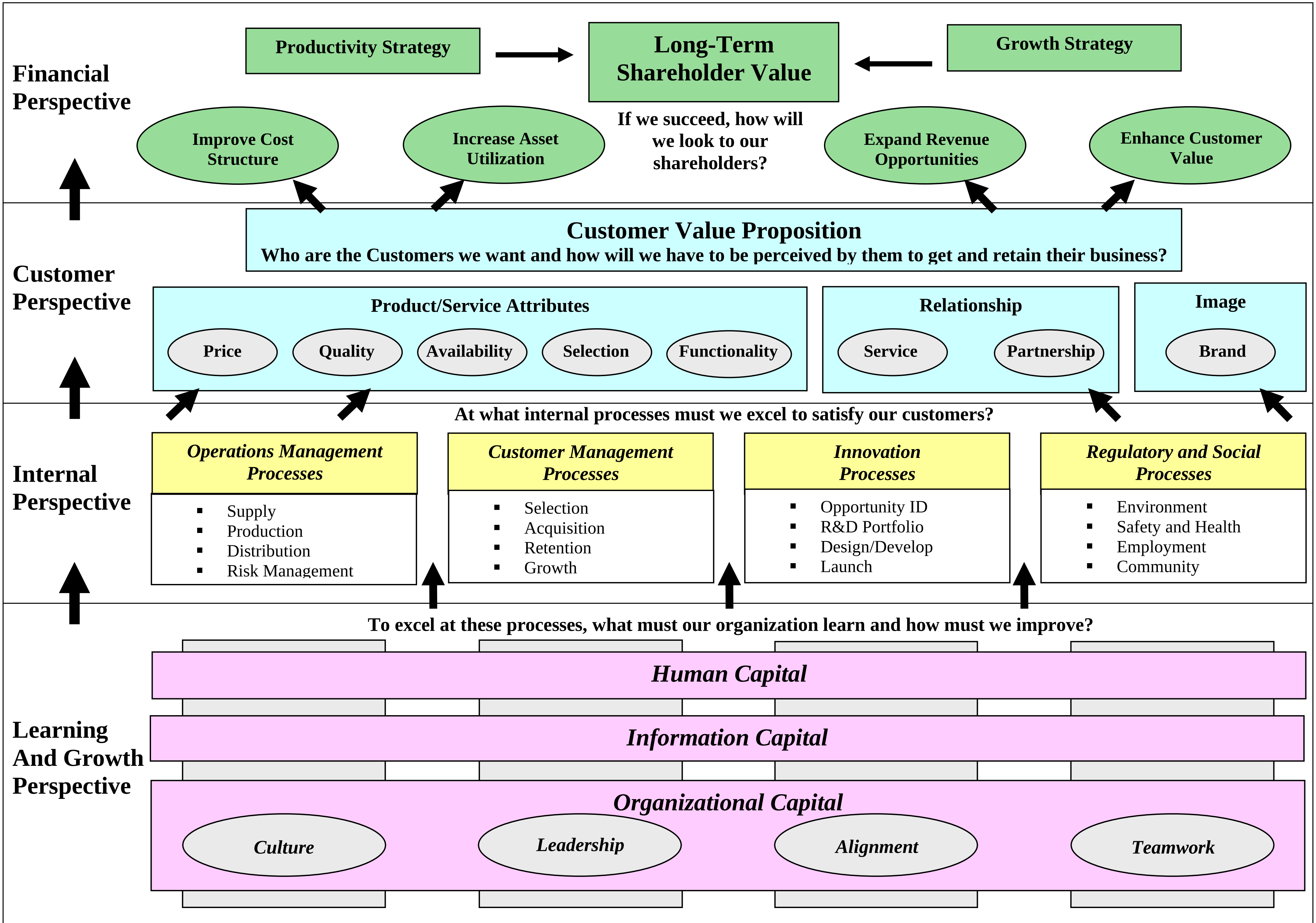
At the end of the process, for each Keystone Objective required to achieve the vision, measures, targets, and initiatives are identified. The process is then cascaded down throughout the organization so that everyone understands the strategy, knows what they have to do to execute it and can measure their effectiveness in executing it. We have a map to get us where we want to go, and we can tell the story of our future success.

Map Your Strategy




Mission/Vision
Customer Perspective
Who are our customers and how do we create value for them?
Financial Perspective
How can we create value for our shareholders, while increasing revenue and controlling costs?
Strategy
Internal Perspective
To satisfy customers and meet budgetary constraints, at which internal processes must we excel
Learning and Growth Perspective
How do we enable growth and change to meet the objectives of our strategy?

How Does Our Organization Create Value?



Source: Robert Kaplan and David Norton, Strategy Maps. Boston: HBS Press (2004), p. 11.

Dave’s Plumbing Supply

Enhance Long-Term Shareholder Value

Growth

Sales Revenue*

Improve Gross Profit

Productivity

Gross Profit $ / Labor*

Financial

Increase Sales

Enhance Customer Value

Improve Asset Utilization

Customer Value Proposition

Beyond Expectations
- Partnership for Mutual Profitability
- Innovative Pay for Services
- B2B Information Sharing
- Education

Enjoyable Experience
- **In-Store Experience**
- **Know the Customer and Their Business**
- **Develop Relationships & Build Trust**
- **Knowledge & Problem Solving**

Basic Requirements
- **Product Availability**
- **Accurate Order Processes**
- **Timeliness of Delivery for both Products & Services**

Internal Perspective

Innovative Customer Management Processes
- Ease of Business
- Supply Chain Alignment
- Knowledge Systems
- Value Added Partnerships
- Channel Opportunities
- Rapid Analysis

Improve Process Efficiency/Effectiveness
- Develop Supplier Relations
- Ensure Product Availability
- Ensure Quality Assurance
- Increase Individual & Team Productivity
- Increase Individual & Team Responsiveness
- Perfect Logistics

Learning & Growth Perspective

Competencies
- Recruitment
- Customer Service Training
- Problem Solving Skills
- Product & Skill Training
- Personal Growth Planning
- Performance Management

Technology
- Information Sharing and Services
- Systems Use
- Process Improvement
- Best Practice Business

Climate for Action
- Leadership & Coaching
- Open Communication
- Alignment
- Teamwork
- Responsibility & Accountability
- Work Environment

DEFINE YOUR MISSION

"A group of people get together and exist as an institution so that they are able to accomplish something collectively that they could not accomplish separately—they make a contribution to society—they do something which is of value." David Packard

A great mission statement defines succinctly why your organization exists. It states your core purpose. Your mission should . . .

- inspire change
- be long-term in nature
- be easily understood and communicated
- be a simple expression of the real reason your company exists, the value or contribution you strive to make

The following are examples of the mission statements of some successful organizations:

- 3M: To solve unsolved problems innovatively
- Wall-mart: To give ordinary folks the opportunity to buy the same things as rich people
- Walt Disney: To make people happy
- Hewlett-Packard: To make technical contributions for the advancement and welfare of humanity
- Marriott: To make people away from home feel that they are among friends and are really wanted
- Medtronics: To restore people to full life and health
- Total Safety: For the well-being of workers worldwide
- The University of Denver College of Education: To promote lifelong learning

In your own words, what is the mission of your organization?

The Five "Whys" Exercise

Write down what you think your mission is. Ask the question "Why?" Write down your answer and ask "Why?" again. Do this about five times and you'll usually get down to the core reason your organization exists.

DEFINE YOUR CORE VALUES

The way an organization behaves can make the difference in whether it will be able to live out its mission and realize its vision. Values are the timeless principles, lived individually and corporately, that guide your organization. They represent the deeply held beliefs within the organization that are demonstrated through the day-to-day actions of employees.

Core values are crucial to leaders for many reasons:

- They help us control what we think and what we do.
- They improve our social relationships.
- They ready us beforehand for inevitable crises.
- They guide us in making important decisions.
- They help us over come addictions.
- They make us ethically fit.
- They provide a fundamental optimism about life.
- They define our priorities, what's most important.
- They help us manage our time, balance work, family and social worlds.
- They give us a perspective on the past and on the future.
- They increase self-confidence.
- They help us be proactive and responsive rather than reactive, aggressive or passive.
- They are the ground on which we build trust for all social and business relationship.

A lack of core values surfaces in every long-term relationship, whether related to family, friends or business. What we are communicates more effectively than what we say or what we do.

THE ISLAND STORY

Two islands are separated by 100 yards of shark-infested water. On these islands live two communities of people. Until the present, there has been no way for the people on one island to travel to the other island.

One day while walking on the beach, Bob looked across the water to the other island and saw Alice, the most beautiful woman he had ever seen. They began talking across the water, repeated this day after day and soon fell in love. They longed to be able to see each other face to face.

One evening, after weeks of pining for Bob, Alice learned of a man named Carl who had built a small boat that could take her over to Bob's island. Carl's was the only boat on the island. Alice went and told Carl of her predicament. Carl offered a deal. If she would sleep with him for one evening, he would take her to the other island. Alice went to her mother Debbie to ask her for advice. Debbie told Alice that she was a grown woman, that she needed to make this decision herself, and that she would support her whatever she did.

Alice decided to sleep with Carl. True to his word, the next day Carl took Alice to Bob's island. When Alice met Bob there was a joyful and tearful embrace. Bob wondered how Alice had crossed the shark-infested water. Alice told Bob the whole story, including the fact that she had had to have sex with Carl for him to take her in his boat. Bob was horrified and disgusted and told Alice that he never wanted to see her again.

Despondent, Alice walked alone to the other side of Bob's island. There on the beach she met Eric. Eric saw her crying, took her home and comforted her. After dinner, Alice told Eric her terrible tale. Eric's heart went out to her. He offered to take care of her forever and asked her to marry him. Alice accepted.

Rank from 1 to 5 the five characters in this story (Alice, Bob, Carl, Debbie, Eric), from 1, the character you like, respect, admire the most, to 5 the character you like, admire, respect the least.

Note: Use this story to illustrate value similarities and differences in your own group. Often, even in small groups, individuals prefer very different characters in the story. To get at underlying values, explore what your team members admire about the characters they choose.

EXAMPLES OF CORE VALUES

- Keeping spiritually centered
- Telling the truth about yourself to yourself
- Honesty in all social relationships
- Fairness: treating all people with respect
- Kindness: the “golden rule”
- Love of country
- Love of family
- Obedience to the law
- Keeping yourself physically healthy

One Leader’s Core Principles:

- Courage. Heedlessness of self is a key to high level leadership.
- Authenticity. Being real, personal and human is a critical component of a leader’s ability to earn the trust of others.
- Confidence. Confidence undergirds optimism.
- Empathy. Empathy builds trust and helps the leader focus on the interest of the audience.
- Discipline.
- Perseverance and Constancy.
- Humility.
- Distance. Strive to protect the dignity of the position. Maintain a strong sense of perspective on your work and try to be a uniquely self-contained personality.

COVEY'S SEVEN HABITS

Habit One: Be Proactive. As human beings we are responsible for our own lives.

- The word "responsibility" = response – ability, having the ability to respond
- Know the difference between reacting and responding
- Disempower the things that control us
- Response to a stimulus is a value-based choice
- It is not what happens to us but our response to what happens to us that hurts us
- Recognize your responsibility to make things happen, act, don't wait to be acted upon
- Through positive energy seek to expand your circle of influence

Habit Two: Begin with the End in Mind. Begin today with the image, picture or paradigm of the end of your life as the frame of reference or criterion by which everything else is measured.

- Whatever you do should not violate the criteria you have set as supremely important
- Know where you're going so that you can know whether the steps you take are in the right direction
- The mental image or plan of where you want to go will define the process of actually going
- Live by design not default
- Compose a personal mission statement
- Identify your center
- Identify roles and goals

Habit Three: Put First Things First. Exercise the power of independent will. Through effective management and discipline you can make your life plan a reality.

- The successful person has a habit of doing the things failures hate to do
- Subordinate desires to the strength of purpose
- Organize and execute around priorities
- Cultivate your ability to say "No"

Habit Four: Think Win/Win. Constantly seek mutual benefit in all human interactions.

- Seek to live in the cooperative, not competitive, arena
- Cultivate the character traits central to win/win
    - Integrity: know what constitutes a win
    - Maturity: balance courage and consideration
    - Abundance mentality: there is plenty out there for everybody
- Cultivate trusting relationships
- Write explicit agreements to clarify and manage expectations

Habit Five: Seek First to Understand, Then to Be Understood. This is the key principle to effective interpersonal communication.

- Listen empathically
- Diagnose before you prescribe
- Ask effective questions
- Seek to be understood, speak clearly and accurately

Habit Six: Synergize. Apply the principle of creative cooperation to every area of life.

- Keep your heart and mind open to new possibilities
- The whole is greater than the sum of its parts
- Fish for the third alternative
- Value differences
- Conduct a force field analysis (analyze restraining and driving forces)

Habit Seven: Renewal. Take the time to sharpen the saw.

- Physical renewal: exercise, nutrition, stress management
- Mental renewal: reading, visualizing, planning, writing
- Social/Emotional renewal: service, empathy, synergy, intrinsic security
- Spiritual: value clarification and commitment, study and meditation

CODES OF ETHICS

- **The Ten Commandments** (Exodus 20:1-17). Two parts: (1) Don't worship more than one God; Don't create a graven image; Don't take God's name in vain; Don't break the Sabbath; (2) Honor your parents; Don't kill; Don't commit adultery; Don't steal; Don't give false evidence or lie; Don't envy or covet. This code asserts prohibitions rather than asserting what must be done.

- **The Boy Scout Law**: "A scout is: Trustworthy, Loyal, Helpful, Friendly, Courteous, Kind, Obedient, Cheerful, Thrifty, Brave, Clean, and Reverent.

- **The Girl Scout Law**: A scout is: Trustworthy, Loyal, Useful, Friendly, Courteous, Kind to Animals, Obedient, Cheerful, Thrifty, and Clean in Thought, Word, and Deed. *Boys must be kind, while girls need to be kind only to animals; boys should be "helpful," while girls are simply "useful!"*

- **The West Point Honor Code**: "A cadet does not lie, cheat, steal or tolerate those who do." *Two screens: not only does the code regulate one's own behavior, it also requires one to pay attention to the action of others. What is the meaning of the word "tolerate?"*

- **The Four-Way Rotary Test**:

  1. Is it Truth?
  2. Is it Fair to all concerned?
  3. Will it build Goodwill and Better Friendships?
  4. Will it be beneficial to all concerned?

- **The McDonald-Douglas Code of Ethics**:

  1. Honest and trustworthy in all our relationships.
  2. Reliable in carrying out responsibilities and assignments.
  3. Truthful and accurate in what we say and write.
  4. Cooperative and constructive in all work undertaken.
  5. Fair and considerate in our treatment of employees, customers and all other persons.
  6. Law abiding in all our activities.
  7. Committed to accomplishing all tasks in a superior way.
  8. Economical in utilizing company resources.
  9. Dedicated in service to our company and to improvement of the quality of life in the world in which we live.

- **The Minnesota Principles (The Minnesota Center for Corporate Responsibility):**

  Proposition #1: Business activities must be characterized by fairness. We understand fairness to include equitable treatment and equality of opportunity for all participants in the marketplace.

  Proposition #2: Business activities must be characterized by honesty. We understand honesty to include candor, truthfulness and promise-keeping.

  Proposition #3: Business activities must be characterized by respect for human dignity. We understand this to mean that business activities should show a special concern for the less powerful and disadvantaged.

  Proposition #4: Business activities must be characterized by respect for the environment. We understand this to mean that business activities should promote sustainable development and prevent environmental degradation and waste of resources.

- **Johnson and Johnson Credo:** "We believe our first responsibility is to the doctors, nurses, and patients, to mothers and fathers, and to all others who use our products and services."

DETERMINE YOUR OWN VALUES

Ask these questions of yourself and your organization:

- What do I (we) care about most?
- What do I (we) spend most of my time doing? What do I wish I could spend more time doing?
- What satisfies me (us) most? What make me (us) most angry?
- What personal failures bother me most? Why?
- What would I sacrifice or die for?
- Why do I (we) work?
- What is most important in each of the roles I live out each day (father, husband, boss, subordinate, and friend)?
- At the end of my life, what will I look back on with the most satisfaction? The most disappointment?
- What values was I taught as a child that are still relevant to me?
- What are the characteristics of the people I respect most?

EXERCISES

In small groups:

- Identify and discuss leaders you've known or read about who have failed or damaged their cause, organization or family because of lapses in personal integrity.

- Identify leaders whose skills may not be as great as others you've known, who nevertheless lead effectively because others respect the quality of their character.

- Identify several of your own core values and explain why they are central to your way of being.

Alone:

Imagine that you will be living apart from someone you love or are responsible for (perhaps you are dying or are forced through divorce to live apart from your child). Write a "This is who I am and what I want you to know about me and living in this world" letter. Maybe this is a letter that you'll send or perhaps it's a letter that you will use to remind yourself of what you want to communicate to this person as they grow into maturity. In this letter define your guiding principles. Also define what you believe from your own experience are the most important abilities or talents they will need to live effectively in this world.

CORE VALUES IDENTIFICATION WORKSHEET

Directions: First circle all your elected values. Choose the five you consider most important for success in your organization and score them 1-5 (1 for most important, top priority, to 5, fifth in importance).

Accuracy

Achievement-Oriented

Best Investment

Best Products

Cohesive

Commitment

Compassion

Consistency

Cooperation

Cost-Effective

Creativity

Credibility

Customer-Oriented

Customer Service

Decisive

Dependability

Discipline

Empowerment

Enthusiasm

Entrepreneurial

Excellence

Financial

Growth-Oriented

High Energy

High Market Perception

High-Spirited

Highest Value

Highly Specialized

Industry Pioneer

Industry Standard

Innovation

Integrity/Honesty

Leadership

Loyalty

Market Leader

Most Competitive

Most Efficient & Effective

Performance-Driven

Proactive

Profitability

Progressive

Quality

Recognition

Reliability

Respect for Individual

Respectability

Responsiveness

Results-Oriented

Rewarding

Social Responsibility

Solution-Oriented

Special Expertise

State-of-the-Art

Success-Oriented

Supportive

Teamwork

Technology-Driven

Trustworthy

Unique

Visionary

Other ____________

Other ____________

TYPES OF VALUES

Foundational Values

Foundational values are the fundamental, precondition cornerstones upon which all other values stand. They are normally deep, subjective traits, not action-oriented. They are ***intrinsic elements*** needed before an organization opens its doors, sets its course or does anything. Examples: Integrity, Respect for the Individual, Social Responsibility.

Services Feature Values

Service Values relate to the major characteristics of your organization, your products or services. These are the true ***action values*** or catalysts that operate in execution of your vision and mission. Examples: Innovation, Efficiency/Effectiveness, Responsiveness, Reliability.

Resultant Benefit Values

The values reflect the benefits that are achieved when service values are exhibited. These are true ***outcome values.*** Examples: Market Leadership, High Competitiveness, Customer and Solution Oriented.

Legacy Values

Values which, over time, form the permanent legacy of the company due to the consistent, cumulative, sustained execution and demonstration of the prior three categories of values. These are the long-term, ultimate manifestations of the organization's true quality and worth. Examples: Excellence, High Market Perception, and Reputation.

CRAFT A COMPELLING VISION

- The vision is the indispensable key to leadership of any enterprise.
- Work hard to keep your vision simple, so it can be readily communicated and implemented by others.
- Keep your vision at the level of principle and strategy, able to encompass flexibility, creativity, and continuous improvement as it is implemented.
- Ensure that your vision is consistent with the values and history of the members of your organization and your stakeholders. Such consistency becomes increasingly important to the extent that your vision will bring change in its wake or threaten existing arrangements.
- Make your vision as inclusive as possible—bringing out the best in your organization and tempting others, even competitors, toward your vision.
- Adhere to your vision with unshakable constancy.
- Communicate your vision with infectious optimism; as far as possible, incorporate optimism into your vision.
- To the maximum possible extent, personify your vision for your organization.

WHAT GREAT LEADERS SAY ABOUT VISION

Exercising vision is developing an understanding of where you are and where you're headed--both as an individual and as an organization.

Allan Cox

Vision without action is merely a dream. Action without vision just passes the time. Vision with action can change the world.

Joel Arthur Barker

Good business leaders create a vision, articulate the vision, passionately own the vision, and relentlessly drive it to completion.

Jack Welch

I've always believed in the art of the possible. I believe there's a difference between brave-heartedness and foolishness and I believe in whatever I'm going to do, if I don't see success somewhere through the tunnel of that vision, I don't even bother with it.

Governor Douglas Wilder

See things as you would have them be instead of as they are.

Robert Collier

One essential ingredient for being an original in the day of copies is courageous vision.

Charles Swindoll

Vision is a process that allows you to think ahead to where you want to be and what you want to be doing, and to create workable plans to lead you there.

Fred Pryor

In the absence of a vision, there can be no clear and consistent focus. In the absence of a dream, there can be no renewal of hope. In the absence of a philosophy, there is no real meaning to work and to life itself.

Joe Batten

Where there is no vision, the people perish.

Proverbs

A vision is a point on the horizon that will be reached only at some date in the future, a statement of what will be created years or decades ahead. To create visions, leaders must become preoccupied with the future. They must be able to project themselves ahead in time.

James M. Kouzes and Barry Z. Posner
The Leadership Challenge

The world of tomorrow belongs to the person who has the vision today.

Robert Schuller

Ideals are like stars. You will not succeed in touching them with your hands. But like the seafaring man on the desert of waters, you choose them as your guides and following them you will reach your destiny.

Carl Schurz

The bravest are surely those who have the clearest vision of what is before them, glory and danger alike, and yet not withstanding, go out to meet it.

Thucydides

If you don’t have a vision for your life, then you probably haven’t focused in on anything.

Dr. David Burns

Vision is not so much what you think as how you think. Vision is less a matter of content than process. Vision is moving away from micromanagement, from “flyspeck management” to macroleadership.

Anonymous

Vision is not necessarily having a plan, but having a mind that always plans. In sum, vision means to be in touch with the unlimited potential and expanse of this marvelous instrument called the human mind.

Peter Koestenbaum

A vision is not a vision unless it says yes to some ideas and no to others, inspires people and is a reason to get out of bed in the morning and come to work.

Gifford Pinchot

Cherish your visions and your dreams, as they are the children of your soul, the blueprints of your ultimate achievements.

Napoleon Hill

The vision of things to be done may come a long time before the way of doing them becomes clear, but woe to him who distrusts the vision.

Jenkin L. Jones

The people who shape our lives and our cultures have the ability to communicate a vision or a quest or a joy or a mission.

Anthony Robbins

The willingness to create a new vision is a statement of your belief in your potential.

David McNally

Vision without action is merely a dream. Action without vision just passes the time. Vision with action can change the world.

Joel Arthur Barker

A vision without a task is but a dream; a task without a vision is drudgery; a vision with a task is the hope of the world.

Anonymous

The very essence of leadership is you have to have a vision. It's got to be a vision you articulate clearly and forcefully on every occasion. You can't blow an uncertain trumpet.

Father Theodore Hesburgh

Vision is composed of one part foresight, one part insight, plenty of imagination and judgment, and often, a healthy dose of chutzpah.

Burt Nanus

WHAT IS VISION AND WHAT DOES IT DO?

Think about the best organizational experience you've ever had. Think about your most memorable experience, one that you enjoy looking back on, that you enjoy talking about or even bragging about. The kind of organization it was or whether or not it was successful by the world's standard doesn't matter. The main thing is that you are able to say that this was the most meaningful or one of the most meaningful organizational experiences that you've ever had.

Describe what you remember:

Most people who recall this experience do not just remember the "job" or "assignment," they remember the fullness of the impact of the organization or experience on them and the world. They remember how it filled up their lives. How they lived, ate, slept and breathed it. Often there are tears. Sometimes regrets. Always there are stories.

A vision represents the spirit of an organization. It exerts a powerful tug on a person's emotions and on her/his willingness to contribute.

Powerful visions reflect a fit between the goals and activities of the organization and the personal needs, expectations, hopes, fears, and visions that all stakeholders bring to the situation. Organizational vision does not exist apart from the people who make up the organization—it reflects their personal aspirations and energies. Individuals working under the influence of powerful visions feel, "I am a part of something larger than myself—something I personally believe in, and something that everyone else believes in too."

Vision is the glue, binding people together in a common effort and under common values. "A common purpose" is a phrase synonymous with the word "vision." Great leaders both portray desirable states of affairs (visions) and give us reasons for seeking those states of affairs (purposes).

Vision, therefore, gives organizational members *clarity, consensus and commitment.*

VISION AND STAKEHOLDERS

An organization's stakeholders are the individuals and groups who care deeply about how an organization does. Stakeholders have expectations of an organization and are able to influence it either positively or negatively.

Common stakeholders are:

- Those you serve or your customers
- Leadership
- Donors
- Volunteers
- Suppliers
- Board Members or Owners
- Regulators
- Neighbors
- Competitors
- Employees at all levels

Stakeholders define their own stake in the company. Each person works within his or her own set of expectations of what the organization should do. **A stakeholder's expectation of an organization constitutes her/his own vision of how the organization should work.**

Leadership and Managerial stakeholders are in a special position—they have official responsibility for the fulfillment of the organization's mission. Their vision must be expressive of what the mission means to them and it cannot ignore the visions of all the other stakeholders; all their expectations, needs, wishes, wants, aversions, prejudices, demands and even threats.

The responsibility of organizational leadership is to craft, to synthesize, integrate and transform all the separate visions of stakeholders into an overarching one under which stakeholders can unite and cooperate fully.

Leaders therefore have to learn to incorporate new perspectives into their views or the organization. This learning process is the number one challenge facing organizational leadership today.

Who are the stakeholders in your organization?

GREAT, FAMOUS, AND HISTORIC VISIONS

Thomas Watson, Sr. and IBM

Thomas Watson was forty years old when he took over a small company that manufactured meat slicers. At his first meeting with his employees he articulated a vision for the creation of a machine that could process and store information, and sent them out to do it—this, long before the invention of the computer. To match his lofty vision, Watson renamed his company, International Business Machines Corporation (IBM). At the end of his life, when asked when he had first envisioned his company becoming so successful, he answered, "At the very beginning."

Moses and the Promised Land

Moses left Egypt with approximately 2-3 million people, leading one of the great pilgrimages of all time, the Exodus. Think of the organizational challenges. The quartermaster general of the U.S. Army once estimated that this journey from Egypt to Israel would have required over 1500 tons of food each day, 4000 tons of firewood, 11,000,000 gallons of water and a camp ground two thirds the size of the state of Rhode Island (750 square miles). How did Moses motivate his people throughout this long journey? A great vision, "We are going to a land God promised to our forefathers, a land flowing with milk and honey."

John F. Kennedy and a Man on the Moon.

In 1960, President Kennedy articulated a vision for the United States to put a man on the moon by the end of the decade. This vision kindled the imagination of millions of people who set about concentrating their time and efforts to fulfill this lofty goal. In 1969, the vision was fulfilled.

Fred Smith and Federal Express

In the early 1970's, Fred Smith wrote a paper for his economics class at Yale University. He envisioned an overnight, nationwide, air express delivery system for urgent packages. The professor was not impressed and gave him a "C" for the term paper. Smith was not deterred and ultimately created not only one of world's most successful businesses but also one that is ranked as one of the top ten places to work in America.

Lee Iacocca and Chrysler

> "I have one, and only one, ambition for Chrysler: to be the best. What else is there?"
>
> "If you can find a better car in America, buy it."

Ford Motor Company

> "Quality is Job One"

Gallery Furniture

> "Gallery Furniture saves you ***money***!"

The United States Post Office, 1912

> Messenger of sympathy and love
> Servant of parted friends
> Consoler of the lonely
> Bond of the scattered family
> Enlarger of the common life
> Carrier of news and knowledge
> Instrument of trade and industry
> Promoter of mutual acquaintance
> Of peace and of good will
> Among men and nations

General Anthony C. McAuliffe's reply to the Nazi ultimatum to surrender at Bastogne:

> "Nuts."

Pat Riley, Los Angeles Lakers basketball coach, came up with this vision to launch the 1988-1989 season after the team had won the championship the previous two seasons:

> "Threepeat!"

AMF, Inc., maker of Alcort Sailboats, Brunswick bowling equipment, Spaulding athletic equipment and recreational products:

> "We make weekends."

DuPont

"Better things for better living through chemistry"

Weyerhaeuser

"The tree-growing company"

General Electric

"We bring good things to life"

Theodore N. Vail's vision of the original AT&T (1920): Vision of Universal Service

"We will build a telephone system so that anyone, anywhere in the world, can talk with someone else, cheaply, quickly and satisfactorily."

Marine Corps

"Semper Fidelis"

United States Constitution

"We the people"

CEO James Treybig, Tandem Corporation:

1. All people are good.
2. "People," "workers," "company," and "management" are all names for the same thing.
3. Every single person in the company must understand the essence of the business.
4. Every employee must benefit from the economic success of the business.
5. Management must create an environment where all of the above can happen.

Lincoln Electric Company, one of the most continuously successful companies in the twentieth century:

"A better and better product at a lower and lower price"

LEADING WITH VISION

The essence of visionary leadership is the ability to articulate an idea that brings people together and gives them a sense of common purpose.

An executive ought to want something. Many executives are content to preside over their organizations just as they found them. They are "reactive" leaders, letting events, often crises, dictate their actions. Visionary leaders, in contrast, want something. They formulate new visions of what their organization may be and do in the future. And these visions strike a responsive chord in the hearts of the organization's stakeholders.

Effective acts of visioning:

- May be simple.
- May be an advertising slogan.
- Must have integrity. If employees feel that they are violating their own visions, not only will they become cynical about the vision, they may also become less likely to believe any "call to arms" the organization offers. Do not proclaim a vision you do not believe in. Do not proclaim a vision just for effect. People have a deep need for inspiration and if they become disappointed it can be worse than if you had not tried to inspire them in the first place.
- Must join clarity, commitment and consensus.
- Must be encouraged by certain organizational factors and conditions (see chart next page).
- Are, if they are formulated within a part (department) of an organization, consistent with the broader vision of that organization and, in fact, should bring the larger vision into sharper focus.
- Call for empowerment, that is, a substantial increase in the influence that lower-level employees will have on an organization. "Empowerment exists in an organization when lower level employees feel that they are expected to exercise initiative in good faith on behalf of the vision even if it goes outside the bounds of their normal responsibilities, and if their initiative should lead to a mistake—even a serious one—they trust that they will not be arbitrarily penalized for having taken that initiative" (Peter Vaill). The message to employees here is: when you see something that needs to be done, do it! Don't sweep the problem under the rug. Don't blame it on someone else.

POTENTIAL FOR VISIONARY LEADERSHIP

Factors Possessed by Potentially Visionary Person or Group	Effect on Vision Effectiveness	
	Encouraging	**Discouraging**
Credibility with others	High	Low
Positioning relative to the top of the unit in question	At or near	Far from
Relevance of ideas to main mission of unit in question	Clear or close	Unclear or not close
Ability to draw others in	High	Low
Likelihood of long-term commitment to vision	High	Low
Organization members' readiness for new vision	High	Low
Other encouraging factors	Many	Few
Other discouraging factors	Few	Many

MAKING VISION REAL

What can leaders do to make their vision real for others?

1. Inspirational speech making.

2. Personal, intimate conversations with individuals. Tom Peters calls this MBWA (management by wandering around).

3. Group-Centered Methods

   a. Circumstances

      (1) The office is not an effective place to meet to create a vision.

      - There are too many interruptions, too many competing items on the group's agenda, too many temptations to duck out of the meeting.

      - The office setting with its rule and roles can get in the way of the egalitarian mood a group needs to develop a shared vision.

      - Most offices do not have the space needed for such meetings, i.e., open flexible rooms with a lot of wall space, a variety of possible seating configurations, an ambiance that stimulates creative thinking.

      (2) Most companies make use of retreats or off-site meetings such as the conference facilities of commercial hotels.

      - Some organizations are creating their own spaces.

      - Some organizations give the process over to organizations that conduct retreats.

   b. Activities. The following factors play a role in a successful visioning workshop:

      (1) **Create fruitful interaction.** Talk to people in the organization you don't normally talk to; talk about things you don't normally talk about; get more personal than you usually do; talk in settings that you usually don't share with other organizational members.

      (2) **Create a greater team feeling**. This is often formed by performing various tasks, under competitive conditions, that bring people into closer relationship to one another.

(3) **Create a perspective on organizational issues**. Vision needs to be created from a perspective that is broader than some stakeholders generally have. Analyze the needs and nature of various stakeholders. Pay attention to tradition, to what it has meant and what it will mean to the company in the future.

(4) **Make leaders accessible**. Give persons in authority an opportunity to show sides of themselves normally hidden by their office. Often gives the boss an important opportunity to express what he/she really thinks about the organization.

(5) **Expose and work through conflicts.** Recognize differences of opinion and work through them so that a common commitment can be achieved by the end of the process.

(6) **Uncover and highlight feelings.** Enthusiasm is an essential element in these sessions. Constructing a vision is not about creating an abstract idea about the organization; it is about creating a powerful, personally meaningful picture of what the organization can be, of what its human value can be, and the role that each stakeholder plays in making it happen. Enthusiasm, passion, commitment, optimism, a sense of urgency—these feelings are key.

(7) **Determine next steps and reentry back home**. Determine specifically what the participants will take home from the event, what they will communicate to those who did not attend, what steps they need to take back at the office to begin to implement the vision. Pay attention to follow-up work.

(8) **Institutionalize the process for creating and re-creating the vision**. The experience of working together like this might give participants ideas about how they can work together in their regular organizational culture, and provide ideas for future offsite retreats.

DETERMINING VISION WORKSHEET

A. Vision Elements

For each of the following develop a brief, simple phrase.

1. What will your primary services be in five years?

2. What will your primary market be in five years?

3. Who primarily will you serve in five years?

4. What will your exclusive, differentiating benefit be in five years?

5. What will the geographic coverage of your organization be in five years?

6. How big do you see the organization in five years?

    - Total of services offered
    - Total number of employees
    - Total number of locations
    - Types of locations

7. What do you perceive your competitive position will be in five years (leader, middle pack, follower, pioneer, nitch specialist)?

8. What kind of special factors (culture/ unique approaches) will make the future enterprise a very special work experience?

9. Who are your primary stakeholders and what are their expectations of the company?

B. Vision Determination:

Given tomorrow's opportunities and challenges, write your vision of what your organization can become. What is the general direction for change? Great vision statements . . .

- Appeal to all stakeholders
- Are consistent with mission and values
- Are verifiable: write it so that you know when you have achieved it
- Are feasible: write it so that it is grounded in reality
- Are inspirational: write it to inspire the team to make the emotional commitment necessary to reach the destination

Your Vision for your organization:

Your Vision for your area of responsibility:

C. Group Vision Determination:

Key vision phrases from other participants:

1.

2.

3.

4.

5.

6.

7.

DEVELOP STRATEGY

Your strategy is your future story—the concise description of the set of activities that will take you toward your vision. Some organizations have a general idea of what they will need to do to "win," which is then worked out in the details of their plan, through their statement of objectives and measures. For other organizations, it's the opposite. By examining the four key perspectives of the strategy map, determining objectives and measures for each area, and then providing linkages between the perspectives, a clear picture of the organization's strategy emerges.

With either approach, three essential moves are required. The strategy team must:

1. Develop objectives and measures for each of the four perspectives
2. Create linkages among the objectives
3. Develop a summary description of your strategy—your story

On the following four pages, we focus on questions you can ask to determine objectives for each of the four perspectives: financial, customer, internal, and learning and growth.

The relationship between the four perspectives suggests that a better result will be achieved if the team moves through the perspectives in a certain order:

1. Financial
2. Customer
3. Internal Processes
4. Learning and Growth

The key strategic questions in each perspective are:

1. What financial steps are necessary to ensure the execution of our strategy? (Financial Perspective)

2. How will the customers we have and target have to perceive us for us to win and retain their business? (Customer Perspective)

3. Then, what kind of organization will we have to be, at which internal processes will we have to excel, to achieve that customer perception? (Internal Perspective)

4. Then, how will we have to change, learn and grow to become that organization? (Learning and Growth Perspective)

DETERMINE FINANCIAL OBJECTIVES

The strategy map begins with a determination of financial objectives related to growth, profitability and shareholder value. Normally, two basic strategies drive financial performance: growth and productivity.

Growth objectives focus on building new sources of revenue and profitability:

1. Develop new sources of revenue and profitability from new markets, products and customers
2. Increase customer value by expanding existing customers' relationship with the company through cross-selling and solutions development.

Productivity objectives involve the efficient execution of operational activities in support of existing customers, focusing on cost reduction and efficiency.

Lower the direct costs of products and services.
Improve asset allocation, by reducing the working and fixed capital needed to support the business.

Kaplan and Norton, The Strategy-Focused Organization (p.85) point out that most companies will chose to weigh the importance of growth vs. productivity objectives depending on where the company is in its life-cycle. Early-stage start-up companies, that see opportunity for extremely rapid growth will tend to focus on objectives and measures related to revenue growth. Companies at the mature end of their life-cycle will tend to emphasize objectives and measures that focus on the cost reduction and assent utilization components. Most companies are in the middle of their life cycle and will tend to balance growth and productivity objectives and measures.

DETERMINE CUSTOMER OBJECTIVES

How will our customers have to perceive us for us to achieve our vision? Who are our targeted customers and what is our value proposition in serving them?

While there may be many answers to these questions, most responses fall into one of three categories. Most organizations will "win" by focusing on either:

- Service Attributes (Price, Quality, Offerings, Accessibility, Innovation, etc)
- Relationship/Best Partner (by providing excellent customer service and personally connecting or partnering with the constituencies who are in need of what you offer)
- Brand (being recognized as a leader in the industry)

An organization must be good at all three, they may also link one to another, but successful organizations will usually focus on one to gain an advantage over others who are competing for the same business.

Which of these foci offer your organization the best opportunity to get you to where you want to go? What does your research tell you about what others are doing and about what you customers want? Are there any large gaps that you can fill?

The value proposition you pick will ultimately drive the selection of your objectives. For example, a "best partner" or "customer intimacy" value proposition would focus objectives on activities that "increase retention rates" or "increase knowledge of customer buying patterns" or "increase customer satisfaction and loyalty."

Once you decide your focus, what you will be and what you will not be, then begin brainstorming objectives, major thrusts or actions that will convince your customers that you are the best in quality, or partnering, or efficiency. Begin objectives with verbs (e.g., build, develop, increase, improve). Encourage creativity, foster ownership, be inclusive of all levels of the organization and produce a large number of ideas. You can refine and narrow your focus later. In the early brainstorming sessions, you may have dozens of ideas. By the end of the process, you will want to narrow your objectives to two or three (a total of no more than 12 from all four perspectives).

It is usually best not to refine your customer objectives until after you have repeated this process for all the perspectives.

DETERMINE INTERNAL PROCESS OBJECTIVES

Once you have determined how you will have to be perceived by your customers to be successful in reaching your vision, you will have to determine the kind of organization it will take to achieve that perception. This is the internal perspective—at what key processes will we have to excel to continue to provide value for our stakeholders?

When organizations ask this question, they focus on four areas:

1. **People**. What kind of leadership will be required? What kind of competencies will we have to possess? What kind of management structure will be required? How many people will be required?

2. **Customer Engagement.** How best can our organization engage its customers to communicate success, to raise visibility (marketing, public relations)?

3. **Internal or operational processes**. How can our organization operate most efficiently as we move toward our vision?

4. **Partnerships and alliances.** What specific partnerships or alliances will move us toward our vision?

What can your organization do to be strong in these areas? Again, brainstorm objectives and measures. Use verbs. In the end, it's is not necessary to have objectives in each area. The current state of your organization in a particular area may be strong enough to do what you need to do. Focus on what's essential for you and generate as many ideas as possible.

DETERMINE LEARNING AND GROWTH OBJECTIVES

Now compare your current organization to what your organization will have to be to achieve your vision. How will we have to grow, what will we have to learn, how will we have to change to achieve the customers perceptions identified above?

Again, to develop objectives in the learning and growth perspective, focus on the four areas identified above: people, customer engagement, internal operations and partnerships. Will coaching, training or external continuing education be required? What technological changes will be required? What upgrades to our current facilities or what new facilities will be needed? What kind of culture will we need? What changes to our management structure will be required? What new positions will we have to fill?

Define learning and growth objectives that will take your organization where it needs to go to achieve your vision.

REFINE AND LINK OBJECTIVES TO TELL YOUR STORY

Take the dozens of brainstormed objectives and narrow them to a set of 8-12 keystone objectives. Provide team members time to reflect on these decisions. Separate the brainstorming session from the refinement sessions. You may need more than one session to finally settle on your list of key objectives.

When thinking about your objectives, examine each one for consistency with your mission, values, vision and strategy. Push to make sure that they serve your strategy and help you reach your vision. Try to limit the number of objectives to a maximum of three for each of the four perspectives. You may want to have the members of your team vote on the objectives they want included. After the vote, the most desirable outcome is achieving unanimity and consensus among team members.

A well-crafted set of objectives should tell the story of the organization's strategy through a series of cause and-effect linkages. What we achieve in the **learning and growth perspective,** should make us the organization **internally** that will be able to gain and retain the **customers,** whose business will help us achieve our **financial objectives**. This path leads us to our vision (see linked objectives example on the next page).

Leaders will often write out their strategy story as a communication tool for internal and external stakeholders. The story is usually no longer than three pages: two pages of narrative; one page of graphics.

LINKED OBJECTIVES (COLLEGE OF EDUCATION)

Mission:
We exist to restore people to full life and health.

Vision:
We will be the top US provider of medical equipment and surgical solutions

Strategy:
Growth by providing leadership, innovative solutions and responsiveness to the needs of the medical community

Financial Perspective Objective:

Increase margins

Customer Perspective Objective
Customer survey ranks our products and solutions in top 5% of all providers

Internal Perspective Objective:
Provide flexible, cross-functional teams to create and develop solutions for our customers

Learning and Growth Perspective Objective:
Attract and retain skilled people

DEFINE MEASURES FOR EACH OBJECTIVE

How will you know that your organization is making progress toward reaching your objectives? The answer is measures.

Measures are the tools you use to assess progress on your strategic objectives. For each objective there should be at least two measures: a leading measure and a lagging measure.

Lagging measures indicate progress at the end of a specified time period:

- Year end reports
- Quarterly financial statements
- Quarterly customer surveys

Leading measures describe the things you must do everyday to produce results at the end of a specified time period.

- Number of daily sales calls
- Number of training classes offered
- Registration forms in on time

When a person plays tennis, the lagging indicator or measure of success is the score at the end of the match. Leading indicators would be measures such as the number of first serves in, or unforced errors.

Your strategic plan will consist of a one page statement of your objectives, your story (narrative of linkage of objectives to vision and mission) and your measure dictionary (see below). Follow this format for the organization as a whole and for departmental plans that are derived from it.

At the end of this stage in the process, the strategy team should have:

- A list of 8-12 objectives, which when achieved will lead the organization to its vision

- A list of 16-24 measures, ideally a lead and lag measure for each objective

- A completed Measure Dictionary Page for each measure, which includes information about the person in charge, the formula, methods of data collection, targets, timelines and initiatives.

IDENTIFY LAG AND LEAD PERFORMANCE MEASURES

Your strategy should contain a mix of lag and lead measures of performance

	Lag	**Lead**
Definition	Measures focusing on results at the end of a time period, normally characterizing historical performance	Measures that “drive” or lead to the performance of lag indicators, normally measuring intermediate processes and activities
Examples	Market share Sales Employee Satisfaction	Hours spent with customers Proposals written Absenteeism
Advantages	Normally easy to identify and capture	Predictive in nature; allow the organization to make adjustments based on results
Issues	Historical in nature and do not reflect current activities, lack predictive power	May prove difficult to identify and capture; often new measures with no history at the organization

PERFORMANCE MEASUREMENT GETS RESULTS

Performance	Measures of Success	Measurement-Managed Organizations	Non-Measurement Organizations
	Industry leader over the last three years	74%	44%
	Reported to be financially ranked in the top third of their industry	83%	52%
	Success in last major change effort	97%	55%
Culture			
	Agreement on strategy	93%	37%
	Communication of strategy	60%	8%
	Information shared openly and candidly	71%	30%

Source:

Adapted from Ingle and Schliemann, "Is Measurement Worth It?" in *Management Review*, 1996 and "Measuring People and Performance," in *Quality Progress*, 1999.

SAMPLE TABLE OF OBJECTIVES AND MEASURES

Perspective	Objective	Measures
Customer/Stakeholder (Community)	Become the community's best partner for improving the quality of education	Lead: targeted district leadership enrolled in College Continuing Education programs Lag: satisfaction level of community leaders with College of Education partnerships (from quarterly survey) Lag: national ranking of the State of Colorado
Internal	Target research to issues in education germane to Colorado	Lead: number of faculty contacts with community leaders of distressed systems Lag: number of dissertations and publications related to community issues
Learning and Growth	Raise the quality of faculty	Lead: new hires with advanced degrees from top 10 schools Lead: number of faculty publications in top educational journals Lag: level of college in national rankings
Financial	Increase revenue	Lead: number of grant proposals written Lead: major donor contacts by University leadership Lag: level of enrollment Lag: Funding available for faculty development, programs and research

Measure Dictionary Page (Template)

<table>
<tr><td>Perspective:</td><td colspan="2">Measure Number/Name:</td><td>Owner:</td></tr>
<tr><td colspan="2">Strategy:</td><td colspan="2">Objective:</td></tr>
<tr><td colspan="4">Measure Description</td></tr>
<tr><td>Lag/Lead:</td><td>Frequency:</td><td>Unit Type:</td><td>Polarity:</td></tr>
<tr><td colspan="4">Formula:</td></tr>
<tr><td colspan="4">Data Source:</td></tr>
<tr><td colspan="2">Data Quality:</td><td colspan="2">Data Collector:</td></tr>
<tr><td colspan="2">Baseline:</td><td colspan="2">Target:</td></tr>
<tr><td colspan="4">Target Rationale:</td></tr>
<tr><td rowspan="3">Initiatives</td><td colspan="3">1.</td></tr>
<tr><td colspan="3">2.</td></tr>
<tr><td colspan="3">3.</td></tr>
</table>

Measure Dictionary Page (Example)

<table>
<tr><td>Perspective: Customer</td><td colspan="2">Measure Number/Name:C01/Customer Loyalty Rating</td><td>Owner: D. Jones, VP Marketing</td></tr>
<tr><td colspan="2">Strategy: Grow Revenue</td><td colspan="2">Objective: Increase Customer Loyalty</td></tr>
<tr><td colspan="4">Measure Description: The customer loyalty rating measures the percentage of surveyed customers stating they prefer our products/services to competitor offerings, and will purchase our product/services again. Our research indicates that loyal customers make more frequent purchases and tend to recommend our brand to others. Therefore we believe that increasing customer loyalty will help us achieve our strategy of revenue growth.</td></tr>
<tr><td>Lag/Lead: Lag</td><td>Frequency: Quarterly</td><td>Unit Type: Percentage</td><td>Polarity: High values are good</td></tr>
<tr><td colspan="4">Formula: Number of quarterly survey respondents answering “Yes” to questions 5: “Do you prefer our products to competitor offerings?” and 6: “Will you purchase our products again?” divided by the total number of surveys received.</td></tr>
<tr><td colspan="4">Data Source: Data provided by our survey company, “SST.” Each quarter they provide a random survey of our customers, and provide the results electronically to our marketing department. Data is contained in the form of MS Excel Spreadsheets and is available the 10th business day following the end of the quarter.</td></tr>
<tr><td colspan="2">Data Quality: High—received automatically from third party vendor</td><td colspan="2">Data Collector: I. Havens, Marketing Analyst</td></tr>
<tr><td colspan="2">Baseline: Most recent data indicates a customer loyalty percentage of 59%</td><td colspan="2">Target: Q1 2005: 65%; Q2 2005: 68%; Q3 2005: 72%; Q4 2005: 75%</td></tr>
<tr><td colspan="4">Target Rationale: Achieving customer loyalty is critical to our revenue growth strategy. The quarterly increases we’re targeting are higher than in past years, but reflect our increased focus on loyalty.</td></tr>
<tr><td rowspan="3">Initiatives to increase loyalty</td><td colspan="3">1. Seasonal promotions</td></tr>
<tr><td colspan="3">2. Customer relationship management project</td></tr>
<tr><td colspan="3">3. Customer Service Training</td></tr>
</table>

COMMONLY USED MEASURES

Financial Measures

- Total assets
- Value added per employee
- Total assets per employee
- Compound growth rate
- Profits as a % of total assets
- Dividends
- Return on net assets
- Market value
- Return on total assets
- Share price
- Revenues/total assets
- Shareholder mix
- Gross margin
- Shareholder loyalty
- Net income
- Cash flow
- Profit as a % of sales
- Total costs
- Profit per employee
- Credit rating
- Revenue
- Debt
- Revenue from new products
- Debt to equity
- Revenue per employee
- Times interest earned
- Return on equity (ROE)
- Return on capital employed (ROCE)
- Return on investment (ROI)
- Economic value added (EVA)
- Market value added (MVA)
- Days sales in receivables
- Accounts receivable turnover
- Days in payables
- Days in inventory
- Inventory turnover ratio

Customer/Stakeholder Measures

- Customer Satisfaction
- Win rate (sales closed/sales contacts)
- Customer loyalty
- Customer visits to the company
- Market share
- Hours spent with customers
- Customer complaints
- Marketing cost as a percentage of sales
- Complaints resolved on first contact
- Number of ads placed
- Return rates
- Number of proposals made
- Response time per customer request
- Brand recognition
- Direct price
- Response rate
- Price relative to competition
- Number of trade shows attended
- Total cost to customer
- Sales volume
- Average duration of customer relationship
- Share of target customer spending
- Sales per channel
- Customers lost
- Average customer size
- Customer retention
- Customers per employees
- Customer acquisition rates
- Customer service expense per customers
- Percentage of revenue from new customer
- Customer profitability
- Number of customers
- Frequency (number of sales per customer transaction)
- Annual sales

Focus on these categories:

- Marketing
- Quality/Functionality
- Customer Knowledge

- Solutions Offered
- Penetration
- Customer Data
- Culture driving client success
- Relationship for the long term

Process or Supply-Chain Measures

Time

- On-time delivery receipt
- Order cycle time
- Order cycle time variability
- Response time
- Forecasting/planning cycle time
- Planning cycle time variability

Quality

- Overall customer satisfaction
- Processing accuracy
- Perfect order fulfillment
    - On-time delivery
    - Complete order
    - Accurate product selection
    - Damage-free
    - Accurate Invoice
- Forecast accuracy
- Planning accuracy
- Schedule adherence

Costs

- Finished goods inventory turns
- Days sales outstanding
- Cost to serve
- Cash to cash cycle time
- Total delivered cost
    - Cost of goods
    - Transportation costs
    - Inventory carrying costs
    - Material handling costs
    - All other costs

        - Information systems
        - Administrative
- Cost of excess capacity
- Cost of capacity shortfall

Other/Supporting

- Approval exceptions to standard
    - Minimum order quantity
    - Change order timing

Other Internal Process Measures

- Average cost per transaction
- Breakeven time
- On-time delivery
- Cycle time improvement
- Average lead time
- Continuous improvement
- Inventory turnover
- Warranty claims
- Environmental emissions
- Lead user identification
- Research and development expense
- Products and services in the pipeline
- Community involvement
- Internal rate of return on new projects
- Patents pending
- Average age of patents
- Waste reduction
- Ratio of new products to total offerings
- Space utilization
- Frequency of returned purchases
- Stockouts
- Downtime
- Labor utilization rates
- Planning accuracy
- Response time to customer requests
- Time to market of new products/services
- Defect percentage
- Rework
- New products introduced
- Customer database availability
- Number of positive media stories

Employee Learning and Growth Measures

- Employee participation in professional or trade associations
- Internal communication rating
- Training investment per customer
- Employee productivity
- Average years of service
- Number of Scorecards produced
- Percentage of employees with advanced degrees
- Training hours
- Number of cross-trained employees
- Competency coverage ratio
- Absenteeism
- Personal goal achievement
- Turnover rate
- Employee suggestions
- Employee satisfaction
- Leadership development
- Participation in stock ownership plans
- Communication planning
- Lost time accidents
- Reportable accidents
- Value added per employee
- Percentage of employees with computers
- Motivation index
- Outstanding number of applications for employment
- Strategic information ratio
- Cross-functional assignments
- Diversity rates
- Knowledge management
- Empowerment index (number of managers)
- Ethics violations
- Quality of work environment
- Health promotion
- Timely completion of performance appraisals

Step Five

Develop the Balanced Scorecard

THE BALANCED SCORECARD

The Balanced Scorecard assists organizations in overcoming two fundamental problems: effectively measuring organizational performance and successfully implementing strategy. Traditionally, the measurement of business has been financial; however, our reliance on financial measures of performance has come under criticism in recent years. Critics suggest that financial measures are not consistent with today's business environment, lack predictive power, reinforce functional silos, may sacrifice long-term thinking, and are not relevant to many levels of the organization.

Successfully implementing strategy is another key issue facing the enterprise. Four barriers to strategy implementation exist for most organizations: a vision barrier, a people barrier, a resource barrier, and a management barrier.

The Balanced Scorecard balances the historical accuracy and integrity of financial numbers with the drivers of future success. The framework enforces a discipline around strategy implementation by challenging executives to carefully translate their strategies into objectives, measures, targets, and initiatives in four balanced perspectives: Financial, Customer or Stakeholder (for nonprofits), Internal Processes, and Learning and Growth. While originally designed in 1990 as a measurement system, the Balanced Scorecard has evolved into a strategic management system and powerful communication tool for those organizations fully utilizing its many capabilities. Linking the Scorecard to key management processes such as budgeting, compensation, and alignment helps overcome the barriers to implementing strategy.

An effective Balanced Scorecard is more than an ad-hoc collection of financial and non-financial measures. A well-crafted Balanced Scorecard should tell the story of the organization's strategy through a series of cause-and-effect linkages inherent in the Scorecard measures. The relationships are revealed through a series of "if-then" statements: If we increase customer loyalty, then we expect revenue to increase. Explicitly documenting the assumptions in your strategy through a cause-and-effect network of measures greatly enhances the opportunities for strategic learning at the executive level.

The word "balance" is key. It represents the balance between:

- Financial and non-financial indicators
- Internal and external constituents of the organization
- Lag and lead indicators

Paul Niven, The Balanced Scorecard: Step by Step (2002), pp. 23-24

Other primary resources:

Robert Kaplan and David Norton, The Balanced Scorecard: Translating Strategy into Action (1996); The Strategy-Focused Organization (2001); Strategy Mapping (2003).

WHY THIS APPROACH?

1. Only 10% of companies are successful at implementing their strategy (Kaplan and Norton, 1999):

   - Vision barrier: Only 5% of workforce understands strategy
   - People barrier: Only 25% of managers have incentives linked to strategy
   - Management barrier: 85% of executive teams spend less than one hour per month discussing strategy
   - Resource barrier: 60% of organizations don't link budgets to strategy

2. This approach now adopted by over 50% of Fortune 1000 companies.

3. *Harvard Business Review* recently hailed it as one of the 75 most influential business ideas of the 20th Century.

4. It shows clearly the inter-relationship between all essential elements of a company's identity.

   - Mission
   - Core Values
   - Vision
   - Strategy
   - Strategic Themes/ Initiatives
   - Finance
   - Customers
   - Internal Organization
   - Learning and Growth

5. It functions as a strategy development tool, a strategy management tool, a strategy communication tool and a strategy measurement tool.

WHAT’S ON THE SCORECARD?

- The balanced scorecard will typically contain 16-24 measures related to your 8-12 objectives.
- The measures can be grouped according to the four perspectives on your strategy map.
- The arrangement of measures on the scorecard should “tell your story.”
- The measures should be a mix of lead and lag indicators.
- The scorecard should include some method for scoring: (e.g., red light, amber light, green light; A, B, C, D, F, etc).

University of Denver, College of Education Scorecard

Measure	Excelling	Satisfactory	Needs Attention
Stakeholder (Community) Measures			
1. Targeted district leadership enrolled in College Con. Ed Programs			
2. Satisfaction level of targeted community leaders			
3. Faculty consultations with distressed school systems			
4. Graduates of Leadership Program placed in targeted systems			
5. Hits on College of Education website			
Internal Measures			
6. Effectiveness of programs directed toward community issues			
7. Publications and dissertations related to community issues			
8. Partnerships with other colleges or inter-disciplinary groups			
9. Graduate school applications			
10. Internal communication score			
Learning and Growth			
11. New faculty hires with advanced degrees from top 10 university programs			
12. Faculty publications in leading educational journals			
13. Student class appraisal form scores			
14. Level of college in national rankings of educational institutions			
15. Attendance at monthly strategy meetings			
Financial			
16. Grant proposals submitted			
17. Major donor contacts by University Leadership			
18. Enrollment level			
19. Dollars available for faculty development, programs and research			
20. Level of college financial contribution to University			

CASCADE THE SCORECARD THROUGHOUT YOUR ORGANIZATION

The strategy team now works with department or program leaders to create departmental plans that support the larger organizational strategy and make it live in the day-to-day activities of all employees.

Department leaders work with a strategy advisor (a consultant or a member of the strategy team) and members of their own team to define the major departmental initiatives that will lead to the achievement of the organization's strategic objectives. They then repeat the processes described above, defining their own performance level objectives, measures, targets, and actions, and assign responsibility for the initiatives. They also create departmental balanced scorecards.

This process continues until every person involved in the organization's mission understands her/his part in the overall strategy.

Leaders should make sure that everyone has an assignment and is capable of executing it.

Step Six

Manage the Change

MANAGE STRATEGIC CHANGE

Executing your strategy is a continuous process. When you've finished your plan and created your scorecard, you're not finished with strategy, you're just beginning. Strategy execution involves an on-going process of continuous improvement, and the constant march of your organization toward its vision. Many effective leaders meet everyday with their most trusted advisors and team members to talk about and monitor strategy.

You should not underestimate how difficult it will be to turn your organization around and get it moving in a new direction. The number one reason that strategies fail is because employees resist it.

If you've followed the process outlined in this manual, you have already done a lot to overcome employee resistance. The purpose of this section is not to provide comprehensive guidance about change management. We skim the surface here, but do introduce some helpful tools: "The Ten Commandments of Managing Change" and a few other helpful resources.

THE TEN COMMANDMENTS OF MANAGING CHANGE

The "Ten Commandments of Managing Change," developed by Dr. Todd Jick, provides a useful guide to managers preparing to implement strategic change. Although presented sequentially, with some common sense, the points may often be addressed simultaneously. Commandments 1-4 are generally used to increase an organization's readiness to change, whereas Commandments 5-9 involve the building of organizational ability to change. The final commandment relates to making both stick, and starting again on new changes. A number of these "commandments" are built into the strategy development process outlined above:

The Ten Commandments

1. ***Assess*** the organization and its need to change to determine readiness and capability
2. ***Create*** a shared vision and common direction
3. ***Separate*** from the past
4. ***Create*** a sense of urgency
5. ***Develop*** a strong leader role
6. ***Line up*** political sponsorship
7. ***Craft*** an implementation plan
8. ***Develop*** enabling structures and reinforcements
9. ***Communicate***, involve people, and be honest
10. ***Monitor***, refine, and institutionalize change

THE DYNAMICS OF CHANGE

Ken Blanchard, "Seven Dynamics of Change," in *Inside Guide*, October, 1992.

Whatever the kinds of change we encounter, certain patterns of response occur and re-occur. It is important that change leaders understand some of these patterns, since they are normal outcomes of the change process. Understanding them allows leaders to avoid over-reacting to the behaviors of people who, at times, seem to be reacting in mysterious, non-adaptive ways.

Ken Blanchard, well known management consultant, has described seven dynamics of change designed to help managers better address employee reactions to change. They are summarized here.

1. **People will feel awkward, ill-at-ease and self-conscious**

Whenever you ask people to do things differently, you disrupt their habitual ways of doing things. This tends to make people feel awkward or uncomfortable as they struggle to eliminate the old responses and learn the new. Think back to your own experience and you will discover this theme. Whether it be learning to use a computer, the first time picking up your infant, or dealing with a new reporting relationship, recall the self-consciousness that you probably felt. People want to get it right, and fear that they will appear inadequate.

2. **People initially focus on what they have to give up**

Even for positive changes such as promotions, or those that result in more autonomy or authority, people will concentrate on what they will be losing. As a change leader you need to acknowledge the loss of the old ways, and not get frustrated at what may seem to be an irrational or tentative response to change.

3. **People will feel alone even if everyone else is going through the same change**

Everyone feels (or wants to feel) that her/his situation is unique and special. Unfortunately, this tends to increase the sense of isolation for people undergoing change. It is important for the change leader to be proactive and gentle in showing that the employee's situation is understood. If employees see YOU as emotionally and practically supportive during the tough times, your position will be enhanced and the change will be easier.

4. **People can handle only so much change**

On a personal level, people who undergo too much change within too short a time will become dysfunctional, and in some cases may become physically sick. While some changes are beyond our control, it is important not to pile change upon change upon change. While changes such as downsizing bring opportunity to do other positive things, the timing of additional changes is important. If you are contemplating introducing changes (that are under your control), it may be a good idea to bounce your ideas off employees. A good question to ask is "How would you feel if . . .?"

5. **People are at different levels of readiness for change**

Some people thrive on change. It's exciting to them. Others don't. It's threatening to them. Understand that any change will have supporters and people who have difficulty adapting. In time many people who resist initially will come onboard. Consider that those people who are more ready for the change can influence others who are less ready. Open discussion allows this influence process to occur.

6. **People will be concerned that they don't have enough resources**

People perceive that change takes time and effort, even if it has the long-term effect of reducing workload. They are correct that there is a learning time for most change, and that this may affect their work. It is important for change leaders to acknowledge that this may occur, and to offer practical support if possible. In the downsizing scenario this will be even more crucial, since resources themselves are cut. Consider following the downsizing with a process whereby job tasks are reviewed to examine whether they are still necessary.

7. **If you take the pressure off, people will revert to their old behavior**

If people perceive that you are not serious about doing things the new way, they will go back to the old way. Sometimes this will be in the open, and sometimes this will be covert. Blanchard uses the word pressure; think of it also in terms of leadership role. The leader must remind people that there is a new course, and that the new course will remain. Coaching towards the new ways is also important.

Conclusion

It is important for leaders to anticipate and respond to employee concerns and feelings, whether they are expressed in terms of practical issues, or emotional responses. When planning for, and anticipating change, include a detailed reaction analysis. Try to identify the kinds of reactions and questions that employees will have, and prepare your responses. Remember that the success of any change rests with the ability of the leaders to address both the emotional and practical issues, in that order.

UNDERSTAND THE RECIPIENTS OF CHANGE

If your plans have not encountered resistance, you have not gone far enough; and if your plans do not include changes that you personally will undergo, if not resist, in doing your own work, you will not be part of the solution.

44 Excuses for Not Making Changes

1. We tried that before.
2. We don’t have the personnel.
3. This place is different.
4. It isn’t in the budget.
5. It costs too much.
6. It’s a good thought, but impractical.
7. That’s beyond our responsibility.
8. Let’s give it more thought.
9. We’re all too busy to do that.
10. Top management would never go for it.
11. That’s not my job.
12. It’s too radical a change.
13. Let’s put it in writing.
14. We don’t have the time.
15. We’d lose money in the long run.
16. There’s not enough help.
17. It’s never been tried before.
18. Our place is too small for it.
19. Let’s shelve it for the time being.
20. It isn’t practical for operating
21. Let’s form a committee.
22. Has anyone else ever tried it?
23. The folks will never buy it.
24. What you are really saying is....
25. The union will scream.
26. Maybe that will work in your department, but it won’t work in mine.
27. We’ve never done it before.
28. It’s against regulations.
29. The executive committee will never go for it.
30. It runs up overhead.
31. We don’t have the authority.
32. Don’t you think we should look into that further before we act?
33. That’s too ivory-tower-like.
34. Let’s get back to reality.
35. Let’s all sleep on it.
36. That’s not our problem.
37. It won’t pay for itself.
38. Why change it? It’s still working okay.
39. I know a fellow who tried that.
40. We’ve always done it this way.
41. You’re right, but....
42. It’s hopelessly complex.
43. You’re two years ahead of your time.
44. What would the president say?

COMMON MYTHS ABOUT RESISTANCE TO CHANGE

Myth 1: You cannot teach an old dog new tricks. Since older employees are seen as the most habitual in their ways, we often assume that they are the least open to change. However, there is considerable evidence that some older people have anxiously awaited opportunities for change and have felt even more frustrated with the way things were. Moreover, although it may be difficult to teach new skills, it is by no means impossible. There is ample evidence in companies as varied as Motorola, Chemical Bank, and British Airways, that new skills (such as customer and service approaches) can be taught to long-service employees.

Myth 2: Complaints and concerns about changes come from resisters. Labeling someone a "resister" can be a self-fulfilling prophecy. It has a pejorative connotation (old-fashioned, old guard, outmoded) and can turn someone into a real resister. Initial "concerns," though, may have been voiced out of a genuine desire to help, not hinder, the change. Such concerns are worth listening to because they often contain legitimate issues which might otherwise be ignored.

Myth 3: Either you are with the new "program" or you are not. (If they do not respond quickly, fire them.) Impatient change agents assume that others will see the benefits of the change as they do. What they forget is that it may have taken them time, information, and experience before they reached their conclusions. Becoming intolerant and forcing people into opposing camps can increase the level of resistance. And by taking such precipitous action as firing people, change agents risk losing valuable experience and resources.

Myth 4: Resisters are always other people than me. There is a common tendency to identify resistance in others, but deny any resistance in oneself. In other words, sometimes we project our own resistance onto others, perhaps inflating theirs and usually under-acknowledging our own. This can be a dangerous trap in an era in which few changes do not require everyone to change in some way and to experience his or her own internal resistance.

Myth 5: Just change the reward system, and the hearts and minds of people will follow. The power of the financial and career incentive is undeniable, but we often over-rely on its use and its timing. Although certainly resisters will be influenced by incentives to change, their behaviors may change without a corresponding change within their hearts and minds. Thus, the sustainability of a change becomes questionable. Moreover, it is rarely possible to make timely or sufficiently large changes in reward systems when change is initiated. Reward systems are more often utilized as reinforcers.

WHY DO EMPLOYEES RESIST CHANGE?

Change, by its very nature, involves upsetting and disrupting routines, forcing people to reexamine their jobs, their performances, and how they fit into the new vision for the organization. Moreover, being a manager of change does not mean that you will not resist change yourself. In fact, regardless of your position in an organization, and regardless of the role you play in the change process, you will have to cope with change and experience the emotions associated with that. Indeed, part of the challenge of managing change is not only understanding the legitimate and often predictable reactions of the others who are being changed, but learning to manage your own reactions to the process.

In the literature on change, participants in organizational transformation are often exhorted to embrace change with open arms. Those who are managing change, as well as those who are most directly affected by it (i.e., the “recipients” of change), are urged to be flexible, to search endlessly for new ways to improve, to view change as an exciting adventure, and to thrive on chaos. While these descriptions are inspirational they often bear little relationship to the way most people experience change, particularly those who have little say in the process. At the very least, organizational change stirs up a number of troubling questions: Am I doing my job right? Will I be able to do the new things asked of me? Will this still be a good place to work? Often, the questions raised are even more disturbing: Is it my fault we have to change? Will anything stay the same? Will I still have a job?

Even changes that are not job-threatening can produce a great deal of anxiety. Chris Argyris, who has written extensively on the subject, argues that people react to change as to a perceived threat. Faced with this threat, most people try to protect themselves by using defensive behaviors learned early in life. They refuse to discuss key matters that bother them for fear there will be repercussions. While these behaviors may be a natural reaction, they often stand in the way of productive organizational change.

THE PIKE SYNDROME

A northern pike was placed in one-half of a large aquarium with numerous minnows swimming freely and visibly in the other half of the glass-divided tank. As the pike became hungrier, it made numerous unsuccessful efforts to obtain the minnows, but only succeeded in battering its snout against the glass divider. Slowly the pike "learned" that reaching the minnows was an impossible task and seemingly resigned itself to its fate. When the glass partition was carefully removed, the pike (surprisingly?) did not attack the minnows, even though they swam bravely around it.

This experiment illustrates the "pike syndrome" which is characterized by:

- Ignoring differences in situations
- Assuming complete knowledge
- Over-generalizing reactions
- Rigid commitment to the past
- Inability to function under stress
- Feeling victimized by one's environment
- Failing to test one's perceived constraints
- Constraints created by our perceptions
- Refusal to consider alternatives

A General Electric study of frontline supervisors discovered that over 95% of their identified constraints were either flexible or illusionary.

CAUSES OF EMPLOYEE RESISTANCE TO CHANGE

- ***Ignoring the needs, attitudes, and beliefs of organizational members***. If workers have high security needs, for example, they may feel threatened by increasing automation of the workplace.

- ***Lacking specific information about the change***. Workers may not know when, how, or why it is occurring.

- ***Failing to perceive a need for change***. Employees may feel that their organization is presently operating effectively and profitably. In these cases change often is neither voluntary nor requested by organizational members.

- ***Demonstrating a "we-they" attitude and so viewing the change agent as the enemy***. Organizational members may feel inconsequential to the change, particularly when change is imposed by representatives of a distant corporate headquarters or of an outside consulting firm.

- ***Viewing change as a threat to the prestige and security of their supervisor.*** They may perceive the change in procedures or policies as a commentary that their supervisor's performance is inadequate.

- ***Perceiving the change as a threat to managers' and employees' expertise, status, or security.*** The introduction of a new computer system, for example, may cause employees to feel that they lack sufficient knowledge to perform their jobs. The revision of an organization's structure may challenge their relative status in the organization. The introduction of a new reward system may threaten their feelings of job security. Employees may fear change, desire to maintain power, or act complacent toward the change.

- ***Having rigid organizational structures and employees with rigid thinking.*** Conflicts between individual and organizational goals and organizational inertia against changing the status quo can also contribute to resistance to change. Lack of resources to support the change can also cause resistance.

TYPICAL REACTIONS TO CHANGE

The following list summarizes some of the emotions and ways that employees may feel:

- Sadness and a sense of loss of control, stability, security, friends, status, trust in boss and company, self-confidence, pride, self-esteem, satisfaction, authority, good working conditions, or simply the "old way of doing things."
- Anxiousness about their ability to handle new roles and responsibilities, fit in with new co-workers, satisfy new bosses, adapt to new environments, and know about their future or the future of the company.
- Anger (bitterness) from not being given warning of the change or a chance to make suggestions.
- Confusion about their own self-worth or how to meet the new expectations and requirements.
- Guilt about "surviving" when co-workers lose positions, money, or status.
- Fear that their future may not really be secure and that additional changes may be on the way.
- Disorientation and uncertainty about how to function in the new environment.

Predictable stages that workers pass through in the process of assimilating change (parallels stages of grief or bereavement).

1. The first stage is shock, during which employees typically deny that the change is occurring, pull back from any risk-taking, and become timid and protective.
2. The second stage is defensive retreat, characterized by continued unwillingness to change, accompanied by anger at the change or at those promulgating it.
3. The third stage is acknowledgment, which includes the mourning of what has been and the acceptance that something new is taking its place.
4. The fourth stage is adaptation and change, in which doubt, resentment, and fear are replaced by growing enthusiasm and commitment.

OVERCOME RESISTANCE

Todd Jick, "Managing Change"

1. Listen, empathize, and acknowledge difficulties. Many people simply want their concerns to be legitimized and acknowledged. Although they may realize that change is needed, they struggle to accept it. Dismissing their concerns and emotions outright will likely harden their resistance. In addition, it is important to listen to see what underlies the resistance. Is it a problem of will or of skill?

2. Communicate key information. When relevant information is provided, people are less anxious, less fearful, and better able to focus on the reasons for the changes. In particular, you should address concrete questions, such as how jobs, responsibilities, and reward systems will be affected by the changes. This includes negative changes. It is far better for employees to get a straightforward report from their managers, along with practical help in dealing with the effects of change, than it is for them to depend on rumors.

3*. Where possible, accommodate legitimate concerns.* Provide training and support. Concerns and issues about the change content or process may emerge that should indeed be factored in. Consider doing so, where appropriate. Moreover, the concerns may be related to the individual's confidence and capability for change. Additional training or coaching might be needed. Or, their concerns may be less with the content of the change than with gaining more of a role in the process.

4. Involve skeptics. Skeptics of change can often become supporters of the change when given a role in the process, particularly one in which they will find themselves having to be associated publicly with the change. For example, putting skeptics on steering committees can be very effective.

5. Apply pressure through politically influential persons and incentives for change. In order to create more motivation, it may be necessary to use more direct pressure tactics through influential opinion leaders or by sanctioning undesired behaviors. These hardball tactics should be used as a last attempt at "unfreezing" the individual.

6. If all the above fails, resisters should be transferred or fired, in order not to impede progress in making the change. If one has genuinely tried to increase both the readiness and the capability of an individual, and yet the individual cannot respond in one way or the other, he or she should be removed from the organization. The principle should be, "If you cannot change the person, change the person!" One who is ultimately not receptive to change must be replaced.

CONCLUSION: BE INVOLVED AND BE HONEST

Dialogue with people involved in the change. When employees understand that they do have a say in what happens, they are more likely to have a stake in the outcome and to work for the program's success. The sense of control that comes from involvement helps alleviate the normal stress associated with change. Involvement can range from open forums encouraging employee input in upper-management plans, to worker teams responsible for designing and implementing change.

Honesty is an excellent way to defuse stress and to help people cope with change. It might seem self-evident that managers should be honest with employees, yet too often the fear of communicating unpopular news or of having to confront painful emotions causes managers to cover up important and relevant information, or to cut off communication entirely. What these managers fail to realize is that half-truths and cover-ups create their own pain and anxiety. Moreover, if managers are cagey about disclosing bad news, any good news that they share will also be seen as suspect. Some companies have allowed affected employees to "vent" themselves to each other while managers listen, which can help them move beyond their anxiety.

Underlying the foregoing discussion is the all-important need for employees to communicate and be heard. One of the hardest tasks for managers is to learn the fine art of listening in a nonjudgmental fashion. Although it can be threatening to managers to hear complaints, employees who are allowed to express their grievances and frustrations constructively and without fear of retribution typically find it easier to adjust to change.

Employees should have regular opportunities to identify problems, to suggest solutions, and to hear how the change is progressing. Managers who really listen to frustrations, rather than lumping them under the catch-all title of "resistance," will not only respond to employees in a more appropriate manner, but will learn about real issues whose resolution can make the change process smoother and more productive.