Change before you have to: for CEOs who recognize the need, the tools exist now for organizational change

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Examines the steps necessary to change an organization to make it more efficient and competitive including changing the corporate culture by identifying company values and overcoming barriers to change. Competence modelling clarifies the leadership expectations of the organization for its executives, and a 360 degree evaluation of leaders' performance in demonstrating desired behaviours assesses whether the expectations are being met. The competence model, once defined, can be used to determine criteria for hiring and promotion. Contends that companies seizing an early opportunity to change are able to create or maintain a competitive advantage in a rapidly changing business environment.

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All CEOs face the task of preparing their organizations for the future. CEOs know that change is necessary if their companies are going to be sufficiently competitive to meet tomorrow's challenges. While no one can predict the future, each of us must do our best to anticipate the changes required to prepare our organizations for it. Fortunately, the tools and processes now exist for CEOs to create a winning culture and build a winning team to achieve positive organizational change in their companies. People can and will change if they understand your expectations and know that their progress will be measured and they will be rewarded accordingly.

Getting an organization to change, of course, is not easy. It often requires an event that creates fear or uncertainty and calls into question the ability of the organization to compete successfully. Often, it is only when executives feel the company or their jobs are at stake that they become open and committed to change. Fear of not being able to compete can be a motivating, driving force when the consequences of not changing can be exploited in a positive manner.

One company that needed to change was a regulated financial organization whose outside audit revealed that, although it was making its numbers in terms of end-of-the-year profitability, its internal decision-making processes lacked open discussion and checks and balances, and the company culture discouraged innovation and unwittingly promoted infighting among units.

Another company that needed to change was an established industrial products organization. The new CEO had inherited a successful but tradition-bound company where conflict and open discussion were typically avoided, divisions did not interact, and the executive group was uncertain about when and how to proceed. For both companies, there was a need to change in order to prepare for a more competitive future that requires initiative, innovation and teamwork. Change for these organizations, however, meant more than new business strategies. It involved cultural issues that aroused considerable resistance.

Even with the power of the CEO's office behind it, mandatory change in a company's culture is not easy nor is it always possible without inflicting damage on the organization. Without buy-in and commitment from executive personnel, resistance can become so intense that change is impossible. Change must be seen as not only necessary, but also as following a reasonable, fair, and well-thought-out approach to get the necessary support to carry it through. Taking a measured approach calls for CEOs to recognize the need for change early enough to avoid the necessity for drastic survival tactics. As Jack Welch of General Electric has repeatedly emphasized, "Change before you have to!"

In any change process, it is important to identify the barriers that keep the organization from being as competitive as it could be. The issues are usually more complex than they seem. When the CEO questions the people in his organization, he is likely to have the experience noted in the proverb of the elephant that had various parts of it felt in the dark by a number of different people, leading each person to perceive that they had experienced an entirely different animal. There are such widely differing perspectives that the CEO may wonder if his executives are talking about the same organization. Since it is difficult for internal personnel to have the time, objectivity and credibility to lead a change process, an outside organizational consultant can help an organization through the painful process of change. An outsider can gain a more objective perspective by interviewing various players and get closer to the "truth" as long as confidentiality is assured. Various perspectives can be probed, synthesized, and, finally, tabulated. Typically in this process, important issues surface, since employees are generally interested in getting their perspective across. In some cases, there may be surprises and, at the very least, the consultant will gain some idea of the lie of the land, location of "minefields", and the challenge that confronts the company in working towards organizational change. An organizational consultant also brings knowledge of organizational and interpersonal dynamics for facilitating objectively the often competing needs within the company.

After doing the preliminary interviewing, the consultant must present the findings with

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recommendations to the CEO to determine the level of commitment for moving ahead. While there should be commitment to change from the beginning, the CEO must be willing to accept the implications of the consultant's findings and agree to the process for addressing the issues. Without a commitment from the top people to lead and see the process through, little will happen. For the CEO and the consultant, this means regular meetings, along with one or two internal advisers, such as the vice president of human resources, who can help facilitate the process internally when the consultant is not present.

Presenting the findings and recommendations to the executive team is the next step. An in-depth discussion of the findings with a group may or may not initially yield satisfactory results, depending on the players and the comfort of the group with open communication. Often, it takes several meetings to open up discussions in a frank and productive manner. Sometimes, an off-site meeting can facilitate more open discussion.

Facilitating a model for change through values identification

Recommendations for organizational change naturally vary, depending on the issues and the goals. Somewhere there needs to be a discussion of the current work climate at the company and how this "culture" evolved. The emphasis is on how the current culture enables or hinders the company in achieving its business goals. Once there is agreement about where the company is now, expectations as to what type of culture and organizational environment are needed to promote the business strategy must be articulated. Once the goal is identified, the question becomes "How do we get there?" This is where discussion among the executive team leads to devising a strategy which fosters change – initially, from a broad perspective and later with more specific plans.

An approach to organizational change often taken is to describe what the "new" organization's values should be. This approach has been used by General Electric with much fanfare, and CEO Jack Welch has promoted values such as "boundarylessness," i.e. the breaking down of internal barriers of hierarchy and function as well as self-confidence to empower others and taking the ownership of decisions and actions.

Values, of course, cannot just be written up as the ten commandments and sent down from the CEO's office. They must evolve from discussions of how individuals in a company wish to work together and conduct business. Shared values are the glue that holds people together and helps them feel a sense of belonging. Shared values are what motivate gang members to stick together and soldiers to support one another as they go into battle. Values are a powerful means of fostering a particular culture and focusing employees on specific goals.

To create the right culture to support future business strategy, meetings are required with the executive team, including both functional and line managers, to discuss what values are desired. Some existing company values will be retained, and new ones are likely to be added, depending on the business strategy and needs. One company's values consisted of respect for the individual, teamwork, and placing the customer first. Further articulation of these values concerned how employees are treated and how they work together to achieve the goal of satisfying the customer.

Operationalizing values through competence modelling

Values, no matter how well-defined and articulated, still suffer from the problem of platitudes. It is easy to say the right thing, but doing it is quite another. How to begin "walking the talk" so that executives believe it themselves and their employees also believe it is the biggest challenge of all. "Walking the talk" implements the values throughout the organization, thereby creating the change desired. Shared values can lead to decisions to make changes and try different organizational structures, such as moving to an executive steering committee that allows for broader discussion of issues by both line and functional executives. Cross-functional or divisional structures may be created and different rules of engagement in meetings established to allow for greater participation in discussions. Once values are identified and agreed on, the changes needed in the organization become more apparent.

A number of companies have found it useful to clarify leadership expectations for executives, as well as other managerial staff, who must ultimately lead any change effort throughout the organization. Values are operationalized by identifying the key skills and competences needed to lead and "walk the talk" in the new organization. Creating a leadership competence model assists leaders in the organization to recognize specific behaviours that emulate the values and are necessary to bring about the desired change (see Table I for an example of a leadership competence model).

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Table I
Executive leadership competence model

Executive leadership competence model	**Leadership** – using effective strategies and interpersonal styles to influence and guide others towards accomplishing identified goals; modifying one's behaviour according to the situation
Leadership Ethics Open communication Business understanding Teamwork Internal/external customer satisfaction Continual improvement Employee development Global awareness Strategic marketing	**Behavioural indicators:** • delegates authority and responsibility to others, allowing them to use their abilities and talents effectively; • takes responsibility for things that go wrong in the work groups he/she is responsible for; • holds self and others accountable for achieving established performance expectations according to plan; • modifies one's behaviour and management strategies according to the circumstance and situation; • empowers others through directing, coaching, motivating, delegating and supporting; • serves as a role model to others, demonstrating commitment and the vision of challenging goals and objectives.

Developing the competence model requires input from members of the executive team, who first identify the important competences needed for successful implementation of the business and change strategies, in keeping with the agreed-on values. The next step is selecting specific behaviours for each competency. For example, the word "leadership", no matter how well-defined, does not indicate the specific behaviours for which one can be held accountable. It is in the behaviours that executives demonstrate the competences. The practice of these behaviours, "walking the talk", drives the change process far more than anything the executive team can say or write.

Maintaining accountability for change through a 360 degree evaluation

To hold executives accountable, it is necessary to evaluate their performance in demonstrating the behaviours associated with each competence. Some of this can be accomplished through shared feedback in meetings and with superiors in performance reviews. Usually, however, this is not sufficient, and a more formal process must be undertaken. Unless their behaviours are assessed and they are given feedback, executives have little opportunity to gauge their effectiveness in demonstrating the desired behaviours. If the key people cannot be shown to demonstrate the desired behaviours, little change can take place. Some companies, such as General Electric, have used a 360 degree feedback system to measure progress in demonstrating desired behaviours. The 360 degree evaluation involves having bosses, peers and direct reports, as well as the individual himself or herself, rate the effectiveness of a person in a variety of behaviours. The 360 degree instrument is essentially a measuring device that can be customized to reflect a competence model. The various groups, with the exception of the boss, fill out survey forms confidentially, enabling the individual rated to understand how he or she is perceived by most of the other players. The specific gaps in leadership behaviour that emerge are then in a position to be addressed.

The 360 degree feedback process is powerful, and it helps to have a professional consultant counsel the person being evaluated. The consultant should be able to offer advice on personal career development strategies to assist an individual to change where needed. The profiles for the executive team and others can identify training needs for career development and group leadership skills.

Cascaded downward in the organization, the 360 degree evaluation process reinforces the values associated with the leadership competence at all management levels. Gap analysis, gained from comparing the rated behaviour of leaders with the competence model, indicates the degree of effectiveness of leaders in demonstrating the desired behaviours. Regular evaluation gauges progress and reinforces the importance of what is being measured. Ultimately, rewards must be tied to the success of managers in demonstrating the desired competency-related behaviours and making the necessary improvements. This should be seen as an ongoing programme, reinforced and adjusted to accommodate changing needs.

The competence model, which should be derived from the current business strategy, can also define hiring and promotion criteria as well as become incorporated into a company's existing performance evaluation system. Employees must necessarily always be evaluated on the basis of short-term results, and such achievements will continue to be important. How results are achieved, however, should no longer be irrelevant, as it is the process of achieving results that determines the culture and the values, which, in turn, supports achieving results that are part of a long-term business strategy.

It cannot be emphasized enough that rewards must be tied to how results are achieved. Unless the organization's mission, values, and executive expectations are well-defined and adhered to in a single-minded manner, employees at all levels will be confused. They will follow their own ideas and impose their own personal values on the organization for better or worse. People can and will change if you make your expectations specific, measure their process, and reward them accordingly. There will always be some employees whose personal goals and values do not fit with the company's. By the process of operationalizing values through competences, they should recognize this quickly so that they can move on to a setting that will fulfil their needs better.

While you may not be able to predict the future exactly and be on target with every behaviour or competence, you can go a long way towards shaping your leaders and creating the culture necessary to prepare employees to engage the future. The tools of organizational change, problem identification, values clarification, competence modelling, 360 degree evaluation and rewarding desired behaviours are being used successfully by companies to create winning organizations and to keep them on track. These companies are changing before they have to, creating a competitive advantage as they engage the future.

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