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## **Creating the Climate for Change: Mobilizing the Executive Team and Your Organization**

*by Katherine Kane*



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# Creating the Climate for Change: Mobilizing the Executive Team and Your Organization

The following article is adapted from a presentation by Jay A. Conger, Professor of Organizational Behavior at the London Business School, at the Balanced Scorecard Collaborative's Center of Excellence Conference in 2003.

By Katherine Kane, Contributing Writer



Jay A. Conger

**Managing change is fundamentally a people issue. It's about motivation and influencing behavior, about breaking old habits and attitudes, and about creating an environment that's conducive to embracing the new. According to Jay Conger, one of the world's preeminent authorities on leadership and corporate governance,**

**the most critical ingredient in any change effort is leadership. Surprisingly, though, surveys show that most employees do not consider their top executives to be very effective at driving organizational change. Conger has crystallized his approach to leading change into four dimensions, all of which, he counsels, should be used in the early stages of implementation.**

Jay Conger has seen the challenges of leadership up close and personal. A researcher at the Center for Effective Organizations at the University of Southern California and author or coauthor of several books, including *Growing Your Company's Leaders: How Great Organizations Use Succession Management to Sustain Competitive Advantage* (2004), *Corporate Boards: New Strategies for Adding Value at the Top* (2001), and *Winning 'Em Over: A New Model for Managing in the Age of Persuasion* (1998), Conger has studied a variety of organizations from Dow Chemical to Toyota. Leadership, Conger believes, is the most essential foundation for successfully creating change. Yet surveys show that most employees do not find their CEO or senior executive team effective in driving consistent change throughout the organization.

Effective leaders acknowledge and address the challenges of change in their organization. They are also aware that leading

a change effort can be dangerous; as Machiavelli's *The Prince* illustrates, leaders of change leave behind them a host of enemies from the old guard and enjoy only the lukewarm support of the others. Conger supports an approach to leading change based on four dimensions: signaling (and signifying) change, enlisting constituents, aligning the organization, and facing resistance. These concepts run parallel to the principles embedded in the Balanced Scorecard and the Strategy-Focused Organization (mobilize, translate, align, motivate, and govern). Conger believes that these phases are not necessarily exclusive and distinct but should all be considered comprehensively in the early stage of implementation. But he warns that leading a change effort is no easy task.

Bringing about change is easier said than done, Conger explains, because by our nature, human beings resist the unknown and the unfamiliar. We are comfortable with the status quo, no matter how

many problems lie underneath. Good leaders shake things up; they reveal the deeper problems often hidden by successes. They make more work for us on the road to less work. And, because it is virtually impossible for even the best leaders to anticipate all of the obstacles along the way, there will always be unexpected roadblocks. Flexibility is the key to navigating the path of change.

The Encyclopaedia Britannica Company's near demise serves as a textbook example of the consequences of executives' failure to recognize the magnitude of impending change — and respond quickly. An industry leader for more than two centuries, Encyclopaedia Britannica Company was faced with a technological revolution that would turn the industry on its head. With the advent of the CD-ROM in the 1980s, company executives grappled with whether and how far to adopt the new technology. They feared that the cheap CD-ROM format would cannibalize their traditional multivolume product (which today costs around \$1,400). Though the company had already shown itself to be an innovator in electronic publishing by making *Britannica* the first encyclopedia available online (through Lexus Nexus) in 1981 and by releasing its *Compton's MultiMedia Encyclopedia* in CD-ROM in the late 1980s, it did not issue its flagship encyclopedia on CD-ROM until 1994, after Microsoft's Encarta had already been on the market. At the time, executives never considered the \$50 Encarta, derived from *Funk & Wagnalls Encyclopedia*, its competition; what they didn't realize was that their competition was, in fact, the computer. As executives continued to debate the appropriate marketing strategy for transitioning from the direct sale of the hard-bound edition to a mix of electronic

and print products, *Britannica* lost precious market share. Despite executives' recognition of the technological change, their inability to adapt rapidly to it ultimately cost them. Within five years, Microsoft was the number one seller of encyclopedias, and Encyclopaedia Britannica Company was struggling to survive.

More often than not, Conger observes, the future is already here — it's just a matter of recognizing it. Encyclopaedia Britannica was historically a sales company, and some executives could not comprehend selling CD-ROMs at a much lower price than one of their beautiful hard-cover volumes. The threat of innovation and an overall change in corporate strategy was too much for executives to face. Conger recalls something Peter Drucker once said: "The art of leadership is the art of abandonment." Effective change agents know when to let go of the old ways of doing business and forge ahead with the new.

### **Signal — and Signify — Change**

To create a change-friendly climate, executives must first signal change by creating significant moments. By actually staging an event or story that resonates with the masses, change agents have a greater opportunity to challenge the old system and brand their new initiative. Asda is one example of a company that knew how to create a significant moment to bring about change in its corporate culture. This U.K. retail chain (similar to a Sam's Club in the U.S. and part of the Wal-Mart group) historically required store managers to wear jackets on the shop floor. One change agent knew that this practice actually made managers less approachable to customers. He gathered all the company's managers in a group setting and

made them all take their jackets off. Then, he gave each of them a coat hanger that read "No Jacket Required." He also gave them each a ruler and explained a new rule — the "10-Foot Rule" — which mandated that any time a manager was within 10 feet of a customer, he or she would be required to approach that customer and try to understand that customer's buying preferences. This change in management and shift in strategy — cultural changes brought on by internal rules — turned the company around. By being given coat hangers and a ruler, managers had symbols to remind them of the new way of operating.

### **Enlist Constituents**

Conger warns that if there ever were a time for businesspeople to learn the fine art of persuasion, it is now. Gone are the command-and-control days of executives managing by decree. Today businesses are run largely by cross-functional teams of peers and populated by baby boomers and their Generation X offspring, who show little tolerance for unquestioned authority. Acquiring missionaries is a powerful way to expand the reach of a change program and ensure its duration. Conger suggests enlisting constituents or attracting people to a common purpose.

Conger believes that getting buy-in from constituents is best accomplished through "micro-leading" — that is, leading from the bottom up. Leaders must set an example through their own actions — taking on their most important performance challenges to achieve a strategy and doing

the frontline work from which they are typically removed. This could include fielding customer complaints or directly providing service to clients. Next, it is critical to provide a story around where the organization is headed and why. And to enlist support, it is important to explain change from the point of view of those being led, not from the point of view of the top echelon. Engineers may not understand or care about the same issues that the shareholders do. Change agents need missionaries, and missionaries need a relevant story to relate to. Leaders must be honest with these missionaries about what the change will cost them and what is in it for them in the long run. What are the consequences of not acting? How will the change be rolled out?

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What tools and resources are available to make the change easier? These issues must be addressed if the staff in any organization is to buy into the new idea.

### **Align the Organization**

As leaders attempt to mobilize their employees toward change, it is essential to align the entire organization, from the board of directors all the way down to those responsible for the basic support functions. Leaders use simple and memorable rules of alignment, which are called the "must-do's." The best leaders use these rules to align the organization strategically and tactically. For example, Jack Welch of GE came

## **Mobilizing the Executive Team** *(continued)*

up with a memorable but simple strategic “must-do”: to be number one or number two in every industry in which the company had operations. A tactical “must-do” is illustrated by the Ritz-Carlton hotel’s guideline for associates at the front desk: “Answer the phone by the third ring, with a smile.” With a vision and aligning “must-do’s” in place, change agents then need to back them up with methodologies for each new initiative, such as the Six Sigma process improvement approach. Choosing individual champions rather than committees for discrete new projects enables staff to feel a sense of ownership and control over the change taking place. Finally, new metrics, rewards, and milestones must reinforce the accompanying change.

### **Face Resistance**

Finally, leaders must face resistance. This may well be the greatest challenge for all change agents. One of the most effective ways to confront naysayers is to put them

in the position where they can experience the problem for themselves. Bill Bratton, the former police commissioner of New York City and Boston, was able to get his constituents to truly understand the crime problem in the New York subway systems after requiring them all to ride the subway for 30 days. They witnessed a multitude of petty crimes and empathized with the nervous subway riders. The facts were indisputable, and officers went to work correcting the problems. Within six months, the transit system was made safer, and there were fewer incidents of crime.

Conger looks to Compaq and Dell as examples of how resistant people are to change. Dell, by using a direct-distribution model, was becoming a force in its industry in the early 1990s. Compaq struggled to keep up after building a powerful retail distribution channel. Compaq did eventually create a direct sales channel but could not find an

executive willing to take over the responsibility of leading this charge. Everyone was afraid of rocking the boat; no one wanted to risk upsetting the established balance of power and the existing clients. As a result, Compaq fell far behind Dell.

Bringing about change in any organization is difficult. Resisters are everywhere. Even at the executive level, notes Conger, there can be such extreme competition that many in the top echelon aren’t willing to give up their power or comfort level. For any change effort to be successful, it is critical to keep communication channels open so resistance is transparent and leaders can intervene. Change agents are like lighthouses, Conger explains. They signal the direction to follow and serve as both a guide and an alert to danger. The lighthouse of change must operate at full power 24 hours a day, seven days a week. ■