

CHANGE LEADERS

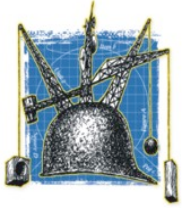
A Globally Tested Approach to Change Management

**Do your senior managers talk change,
or do they own change?**

Chief Executive Officers have some constant recurring doubts: will their senior executive team deal with the right priorities, in the right order, to make the right things happen for the organisation? Will they take ownership and address the technology, financial and people challenges facing the organisation with the same enthusiasm, commitment and drive that the MD intensely feels?

They know that business success is not achieved by developing great strategies, nor is it achieved by just great leadership for it is all just lip-service without effective implementation. Without a good plan even the best leadership is ineffective and great leadership with a poor strategy is directionless.

More often than not, the CEOs are able to bring the horses to the water - i.e., getting the senior management team to talk earnestly about the right things. Their disappointment stems from not being able to identify a vehicle that will assist them in making the horses drink - helping their senior team do the right things.



The Concept

The Need for a Strategy Implementation Model

"I want my organisation to feel a need for speed. Square Peg's long-term relationship management programme has supported driving our change and delivered significant value to our shareholders. The proof is in the numbers".

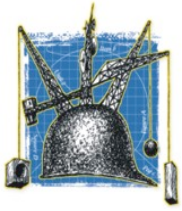
**Stan Dardus, CEO &
Chairman, Bremer
Financial**

All organisations experience change on a continuous basis. Whether it is a breakthrough in technology, globalization, a merger or acquisition, every organisation is faced with increasingly complex pressures to change.

Senior management teams often address these changes through a combination of long and short-term “emerging” strategies. In many cases, these strategies are well thought-out, responsive to the realities of the marketplace and, therefore, supported by the management team. Yet, in a consistently high number of cases, the **implementation** of the strategies does not deliver the expected results.

The following illustrates a typical situation:

- 1) The management team articulates a strategic plan to respond to changes in the external/internal environment.
- 2) Because the plan was developed through group thinking, it is assumed that everyone understands and interprets the plan correctly. In fact, people eagerly declare their support and buy-in for the plan.
- 3) In spite of the initial “good feelings” about the plan, the actual implementation reveals possible flaws:
 - Managers do what **they** think is right – not necessarily what they agreed to do;
 - They blame each other when things are not happening as planned;
 - Yet they each claim to be doing their utmost to help make the strategy work.
- 4) **As a result, the following dynamics arise:**
 - The CEO feels frustrated and begins to micromanage;
 - Personality conflicts emerge in senior ranks – people question each other's competence and intentions;
 - Employees become confused and cynical about the change effort;
 - The long-term stability of the organisation appears threatened.



The Concept

Starting Right

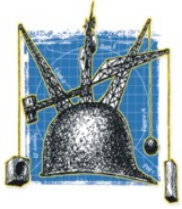
Why is the implementation of a strategy so rarely successful?

Because for any strategy to succeed, the organisation's **change leaders** – those who will be responsible for orchestrating the change – must share a common interpretation of what they need to do, as a team and as individual leaders, to make the strategy work. They must, collectively, be the owners and active proponents of the strategy, and emulate the new behaviours the strategy requires. Only then will the executives' direct reports begin to truly believe in the need to change, and create the positive momentum required for deep, meaningful change across the organisation .

Leaders create excitement and confidence by articulating, often with other's inputs, the business realities the organisation must address to grow and succeed. They help people throughout the organisation understand and work with these insights. More importantly, they continually question people's beliefs and assumptions about what can be achieved, so that they themselves understand what barriers must be overcome in order to make change happen.

PEG CONCEPT #1

Strategies most often fail not because they are poorly crafted, but because the organisation's executives have not taken the time to truly and deeply question their own beliefs, assumptions and behaviours.



The Concept

Mental Models

Change leaders most often unconsciously resist change because the mental models they are using for making decisions have to be changed. These mental models are the result of business practices and processes that have proven successful in the past, and are now deeply embedded in the organisation. Mental models drive each executive's behavior, and in turn create a collective mindset. By understanding the mental models of executives in the organisation, it is then possible to address the broader issue of how they will approach change.

There are three key components of mental models.

Assumptions & Beliefs

About how things can or cannot work, the competitive environment, the organisation's culture and capabilities.

Expectations

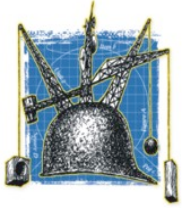
Of people's own performance, that of their team members, and of the organisation's rewards and recognition system.

Values

To define what is fair and unfair, acceptable and unacceptable.

Create Change Leadership

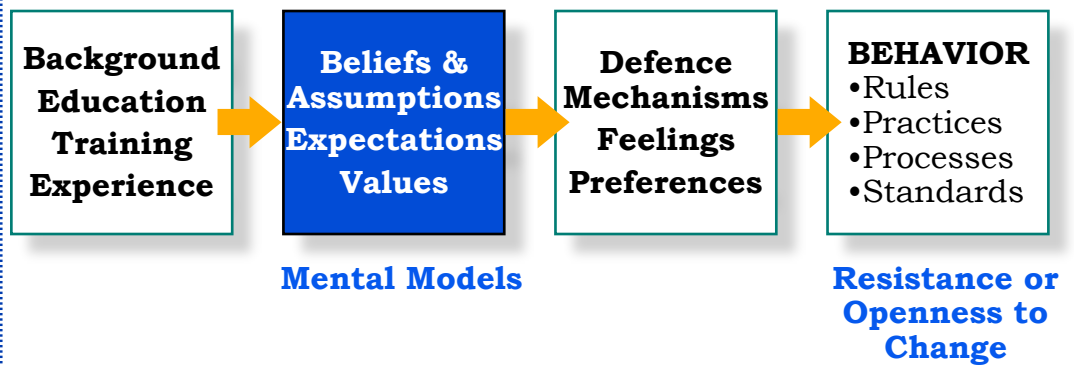
- 1) Our mental models are rarely understood by the people with whom we work. People do what they think, not necessarily what they say. This is a universal truism that works in business, as well as in people's private lives.
- 2) The only way to know what people really think is to look at what they do. Simply listening to what they say is often not enough.
- 3) People at all levels of the organisation have natural inhibitors that make it difficult for them to say what they really think about their role as leaders and their manager as a leader, for instance, or the feasibility of the company's strategic plan.



The Concept

Mental Models

The Impact of Mental Models on organisation Change

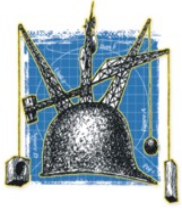


Create Change Leadership

In order to create broad trust and support for change, executives must uncover their mental models by:

- clearly articulating their expectations, values and assumptions as they relate to the organisation;
- becoming aware of how these create defense mechanisms and barriers to change; and
- declaring their willingness to change their own behaviors by examining these behaviors and developing action plans to align themselves with the new direction.

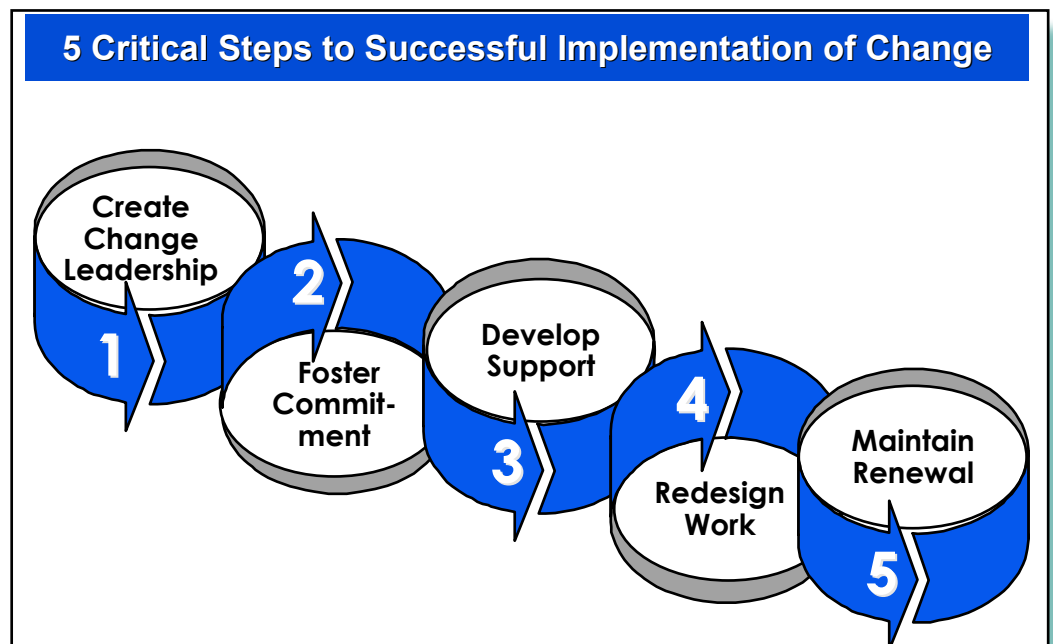
The model we use to help the organisation accomplish this will be reviewed next.



The Concept

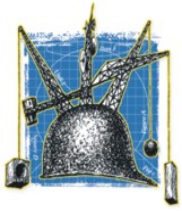
The Change Leaders Model

The fundamental objective of the Change Leaders process is to energize and re-align the executive team. As the chart below indicates, creating change leadership is the first step required to successfully implement change.



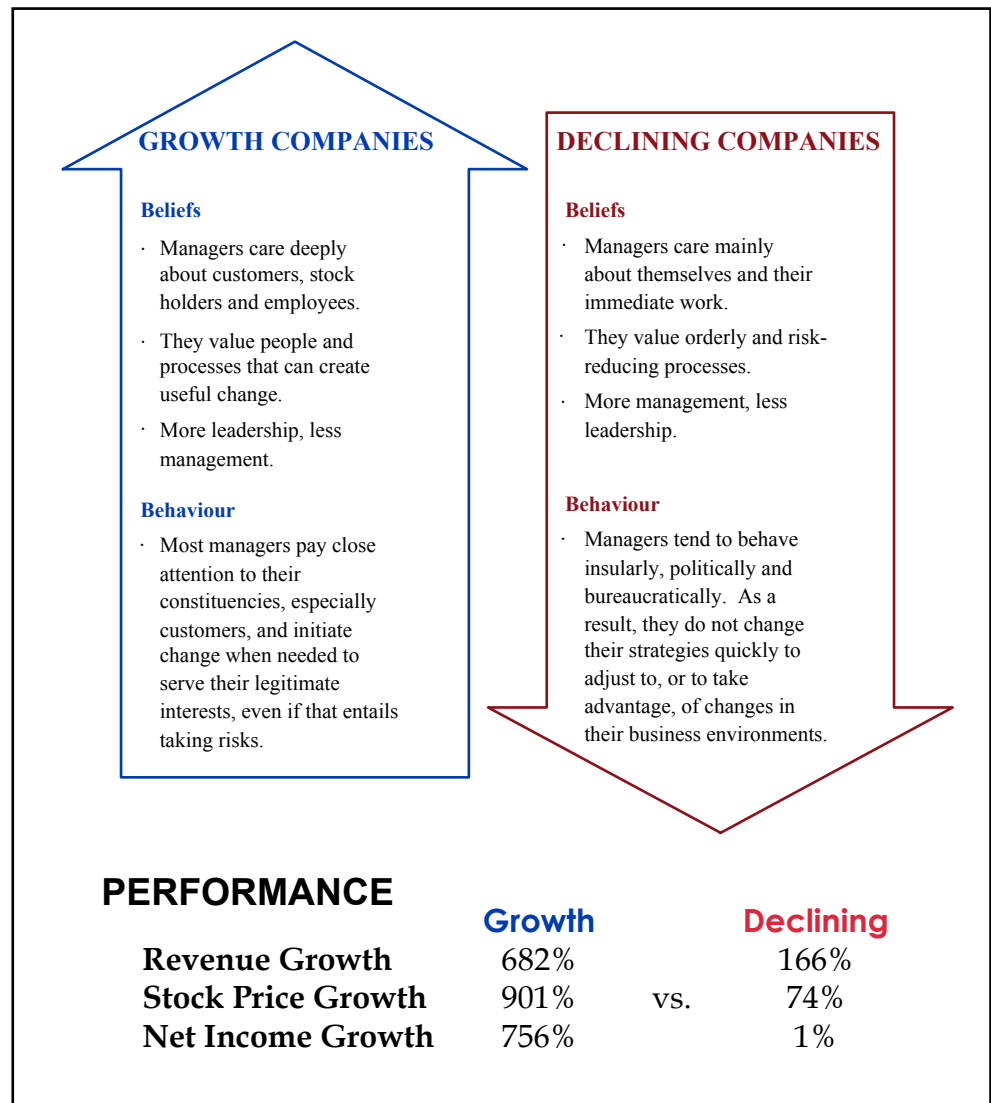
Create Change Leadership

Why is leadership the first critical step? In the 90's, Kotter and Heskett published a comparative study on companies that are on the decline versus organisations' leadership beliefs and their associated behaviours relative to net income growth. What it found was staggering. organisations with strong leadership beliefs had a net income growth of 756%. During the same period, organisations on the decline realized only a 1% net income growth. On \$1,000,000, this means \$7,560,000 versus \$10,000 in net income growth.



The Concept

Kotter and Heskett

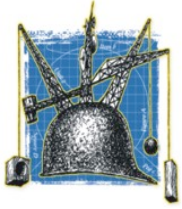


Leaders face danger in the comfort zone



The challenge is to move beyond lip-service and focus on driving all elements of change

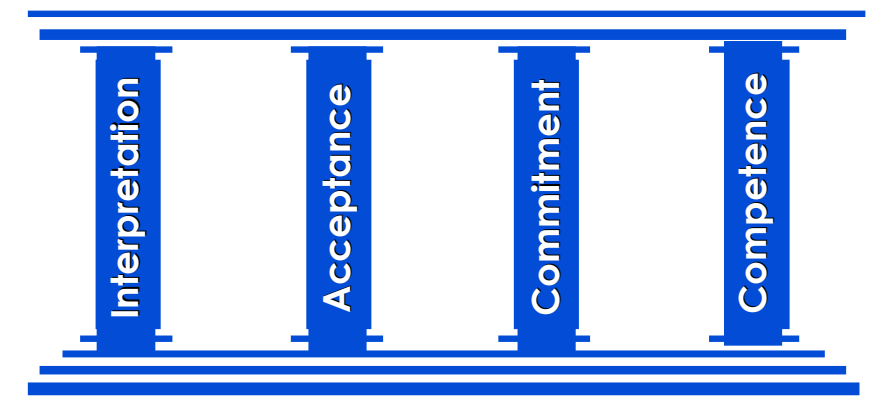
Square Peg's recent research, *Beyond Lip Service*, has identified that 65% of respondents believe that their organisation's leaders lack the qualities necessary to implement change strategies. Failure to inform and inspire coupled with a perceived inability to drive change has resulted in leadership talent being rated as distinctly underwhelming at time when change leadership is critical. And more importantly, our research highlighted leader's inability to influence and energise as the main factor of this lack of trust – there is danger in the comfort zone. The notion of effecting a change in operating beliefs is critical. And it rests entirely on leadership. Leadership has to act now or others will act for them . . . with a price.



The Pillars of Change

The Four Pillars of Change

The Change Leaders process begins with the **end in mind**. It challenges executives to individually and collectively discuss the rationale for change and to reach a consensus as to what they will do to lead the change effort. There are four pillars of change to be addressed during this process:



Interpretation

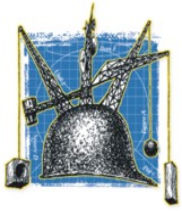
Definition

The degree of cohesion between each executive's interpretation of the strategies and changes required to make the strategies work.

Concept

In the global village, interpretation is an essential skill. The concept of long-term, for instance, means five to ten years in North America. In Japan, however, long-term strategies commonly focus on an organisation's products or services 20, 30 or even 50 years hence. The potential for misinterpretation of business messages is as potent inside an organisation as it is between cultures. Interpretation is a result of:

- Personal Paradigms
- Skills and Abilities
- Experience
- Work Habits
- Interests
- Culture



The Pillars of Change

Acceptance

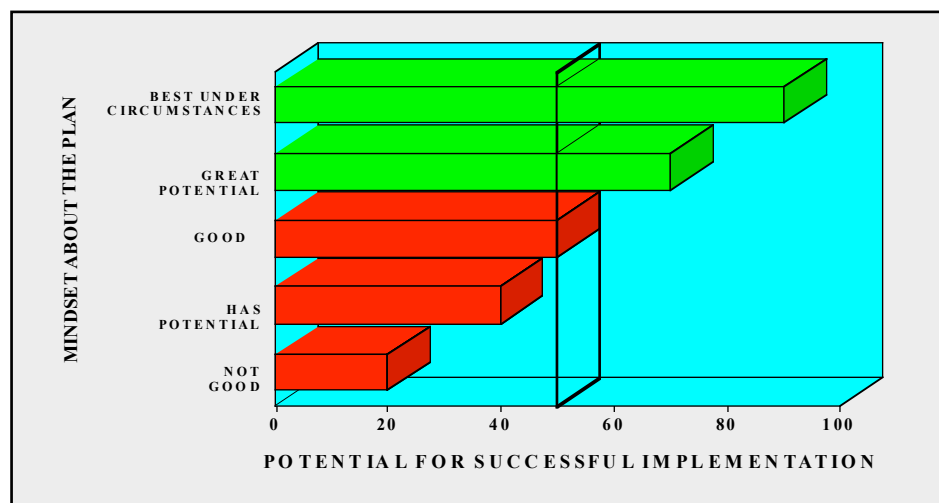
Definition

The degree to which executives accept the change plan as *the best one under the circumstances*.

Concept

In many organisations, executives' acceptance of a given plan or initiative will be directly linked to their mindset: what plans worked or didn't work in their previous experience, their personal values, and knowledge of their industry and global trends. Executives may or may not voice or clearly articulate how they feel about the plan or change initiative. But as the chart below indicates, their feeling about the initiative will dramatically impact the potential for successful implementation.

Individuals who believe an idea or plan is “good” will only support the idea or plan with average enthusiasm and effort. Change leaders must believe that it is the “*best plan under the circumstances*” to ensure successful implementation.





The Pillars of Change

Commitment

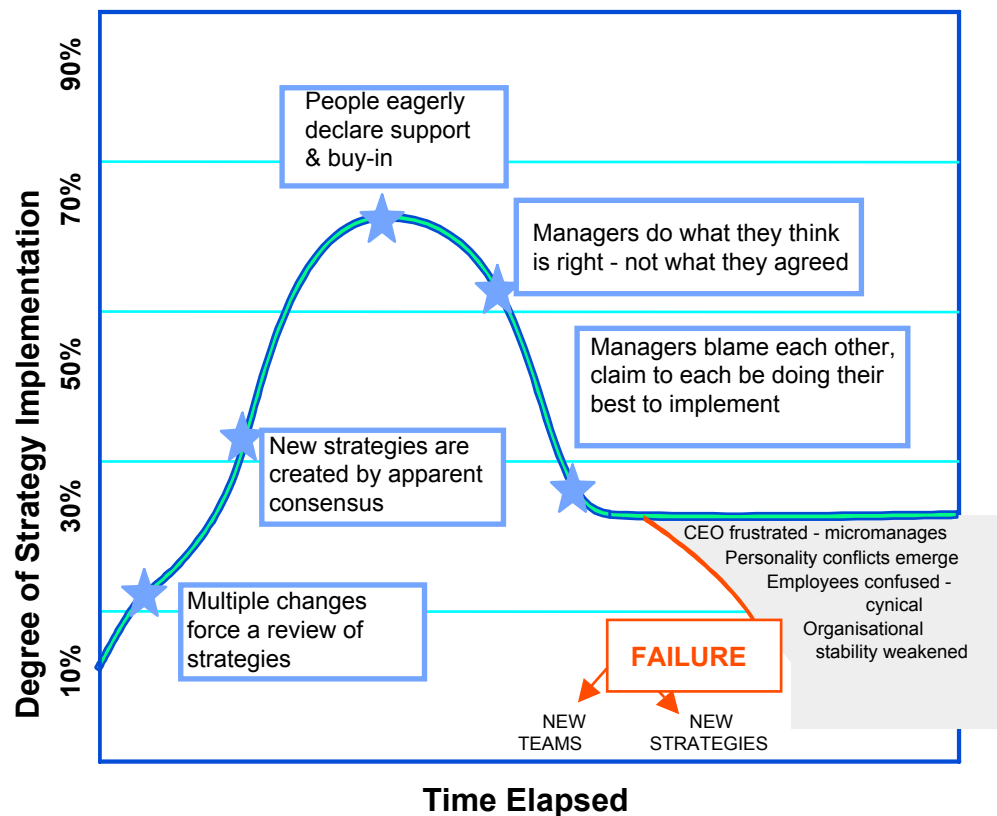
Definition

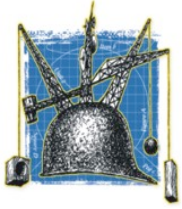
The degree to which executives accept the strategies or change goals as being *in line with their personal goals*.

Concept

It is the intention of most executives to do the “right thing” for their organisation. However, individuals cannot distance themselves from their personal goals and values. For a change initiative to succeed, it is important to understand what the personal goals and values of the change leaders are, and to compare these to the organisation’s goals and values. If these two needs are aligned, the resulting synergy will facilitate the implementation of change.

TYPICAL FAILED STRATEGIC CHANGES





The Pillars of Change

Competence

Definition

The competence of an organisation, in terms of *abilities, systems and infrastructure* to achieve the changes required to make the strategy work.

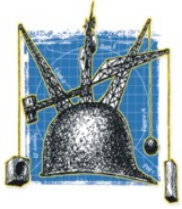
Concept

A change in performance will be required to meet the objectives of the change plan. The executive must be aware of the level of performance required, and assist senior management to attract, select, evaluate, develop and reward such talent.

A technique to assess individual performance is to think of how **competent** (e.g., knowledge, skills, abilities) an individual is and their level of **commitment** (e.g., the attitude of wanting to do the job right) using the matrix below.

The Four Faces of Competence

The Four Faces of Competence			
Status in the organisation	COMPETENT	COMMITTED	Development Strategy
1 Star Performer	✓	✓	Reward/ Promote
2 Hard Worker	✗	✓	Train/ Redeploy
3 Prima Donna	✓	✗	Challenge/ Probe Intentions
4 Non-Performer	✗	✗	Identify & Work With



The Pillars of Change

The Four Pillars of Change

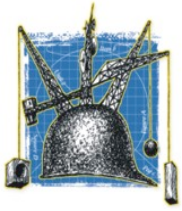
The four pillars of change – interpretation, acceptance, commitment and competence – determine the level of confidence and enthusiasm executives will collectively apply to implement change. This collective mindset - rather than the strategy itself - becomes the main driver for change in the organisation.

Organisation Change Occurs When Executives Display

CONFIDENCE	ENTHUSIASM
characterized by . . .	contributes to . . .
<ul style="list-style-type: none"> • common interpretation of change goals • acceptance of change goals as the “<i>best under the circumstances</i>” • personal commitment to change goals • competence required to meet change goals 	<ul style="list-style-type: none"> • cooperation • positive mindset • high energy • proactive outlook

PEG CONCEPT #2

Using mental models and the four pillars of change, executives can create a collective mindset which will become the main engine for driving change in the organisation



The Process

Change Drivers



Creating the case for change

Positioning the need for change in such a way that stakeholders at all levels understand the need and feel motivated to move towards the change

Supporting the organisation

Aligning the organisation with the change, and providing stakeholders with the ability to successfully move towards the change

Managing the process

Leveraging project and program management tools to plan, execute and monitor the change

The drivers of change – creating the case for change, supporting the organisation, and managing the change process itself are key areas that are tested and review as part of the Change Leaders process.

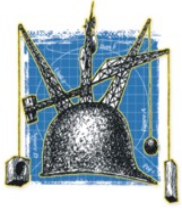
Driver #1: Creating the case for change involves creating a pull for change that logically communicates the vision, strategy, stakeholder impact and implications. It is the first step in launching any significant change and defines where you are going and how you intend to get there.

Driver #2: Supporting the organisation through change demands alignment of both the mechanical (structural) and dynamic (cultural/people) components of the change with the ability of the organisation to meet the challenges. It is about ensuring both understanding and committing to the change. Ability implies the organization has the resources, skills, knowledge, experience and necessary support to change. By assessing and understanding an organization's readiness for change, leaders and managers can identify both potential roadblocks for and strengths and best practices. The information gleaned will provide critical data for successfully managing the change.

Driver #3: The engine of change is in its management, measurement and sustaining its momentum ensuring that project management disciplines are flowed and change teams properly chartered.

PEG CONCEPT #3

Change management is managing the process of change in a business environment and transitioning people in order to meet business performance targets rapidly and effectively. It is NOT the change itself.



The Process

How Change Leaders Works

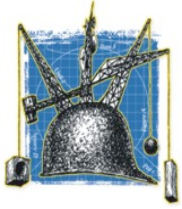
Through the Change Leaders process, each executive helps define the holistic changes required to achieve the organisation's strategies. The executives articulate and challenge their mental models in a structured and constructive manner. The ultimate objective is to connect the values of the organisation's executives to the emerging strategies, and to create a positive collective mindset to nurture the change process.

Change Leaders works through the following steps:

Process 1

Change Leaders **allows executives to question their basic assumptions, beliefs and expectations related to the organisation's strategies:**

- each executive participates in an intensive, interactive discussion during which they question their interpretation, acceptance and personal commitment to the strategy;
- executives deal with all issues not from their functional perspective, whatever this may be, but from the perspective of the Chairman, President or CEO;
- this shift in perspective encourages participants to deal with the broader organisation issues and to address the corporate ramifications of their suggested actions.



The Process

How Change Leaders Works

Process 2

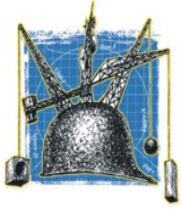
Change Leaders allows executives to express their true feelings about business issues:

- the consultant works through the logic and business principles behind each executive's individual thinking;
- this is a confidential questioning process that provides executives with the opportunity to truly understand their own paradigms;
- executives begin to express their personal opinions on the business issues facing the organisation, and thereby create a shared implementation plan that reflects their true thinking and abilities.
- readiness for change is determined based upon the drivers for change previously discussed.

Process 3

Consolidated comments are related to themes such as leadership, communications, culture, organisation structure and processes.

- under each theme, Change Leaders captures the key issues – using the four pillars and three drivers of change – which the senior management group must deal with in order to successfully implement change;
- the management group then decides what to do about each key issue and names a champion who sets specific objectives and works with the team to achieve these objectives.



The Process

Output

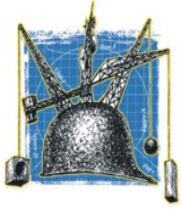
Output

- Through this process, the supportive forces for the shared implementation plan emerge - as do the detracting, or non-supportive forces
- alignment for the supportive forces is sought and action taken to eliminate the non-supportive forces.
- The executives have a shared implementation plan – something that they fully commit to and support.
- The executives begin to change their mental models, rules and paradigms by actually adding, correcting or removing business processes and practices in order for the plan to work. They collectively identify what to stop, start and continue to do.

Bottom Line

Bottom Line

- Because executives themselves have changed their mental models, rules and paradigms, they are less likely to look to their superior for reassurance.
- The change leaders understand that they are doing the right thing for the organisation and for themselves, rather than following the direction for which they have no ownership.
- This gives the leaders an added boost, and allows the organisation to implement its strategies with a much higher level of enthusiasm and confidence.



The Process

PEG CONCEPT #4

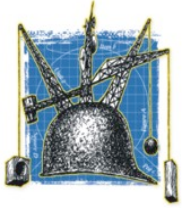
Once executives have examined their mental models, they can begin to cascade the new rules and paradigms required to make the strategy work by:

- being the role models for the new rules and paradigms;
- coaching/developing their direct reports on the new expectations;
- focusing on doing the right thing for the organisation;
- building sustained enthusiasm and ownership; and
- holding themselves/others accountable.

*Create Change
Leadership*

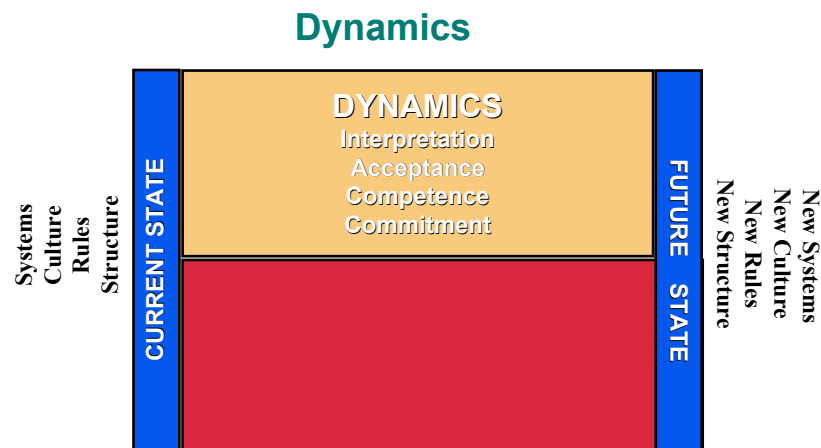
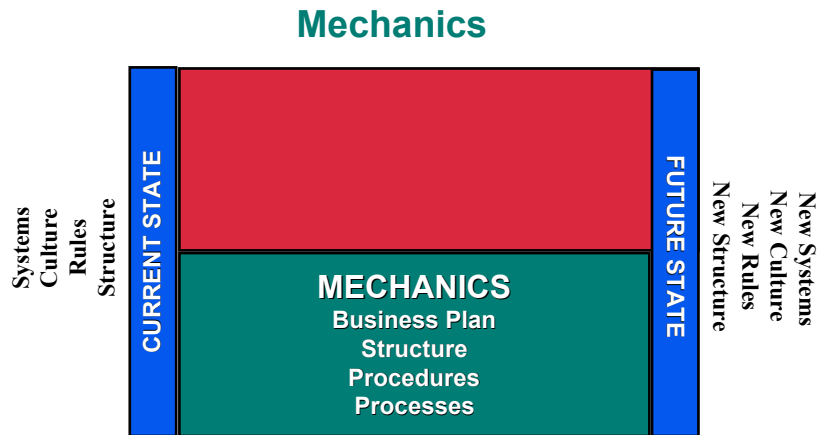
INTEGRATING DYNAMICS AND MECHANICS

Once executives have adapted their mental models to fit the new business environment, there is a powerful synergy created in the organisation. Since they now share a common **interpretation, acceptance, commitment** and **competence** vis-à-vis the given strategy (the dynamics or collective mindset), they can create or modify plans, rules and controls (the mechanics or business processes) required to make the strategy work.



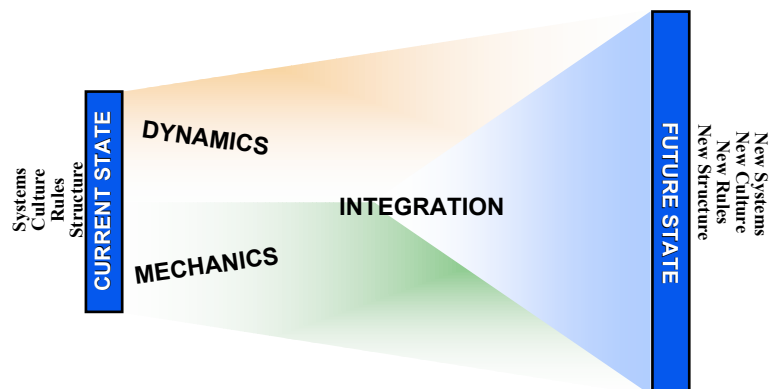
The Process

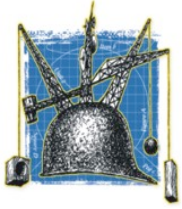
The Mechanics and Dynamics of Change



Integrating Mechanics & Dynamics

“To be effective, change must first be owned by an organisation’s leaders. They provide the foundation for the smooth integration of human dynamics and organisation dynamics.”





Conclusion

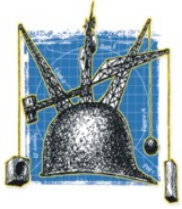
Summary

Business is not achieved by developing great strategies, nor is it achieved by great leadership. Without a good plan even the best leadership is ineffective and great leadership with a poor strategy is directionless. Thus, both are needed to drive value. When change efforts fail, it is likely that the root cause lies in the misalignment of the executive team's mental models and degree of commitment. This misalignment causes friction, lack of trust, and faulty implementation. A process such as Change Leaders, which creates alignment and energise people ensures that the dynamics of making change happen are front-and-centre.

Benefits of Change Leaders

Benefits

- Change Leaders enables executives to find out the answer to the questions “what do people really think?”, and “how would they implement their thoughts if they were leading the organisation?” This is a unique approach in that it deals with the organisation **dynamics as well as mechanics**.
- Change Leaders provides an **objective platform** for transferring the ownership of the change process from the CEO to the executive team – where it actually belongs.



Conclusion

Potential Drawbacks

- The process **challenges executives** to examine their personal beliefs and values. It has been our experience that, eventually, executives overcome their initial discomfort with the process and are quick to recognize the value of questioning their fundamental beliefs about the organisation. They realize that the key to leading change is to understand both the dynamics and the mechanics.
- Change Leaders is a **time-intensive** approach, which requires executives to dedicate several days to complete questionnaires, participate in the interview process, attend off-sites, and champion action plans. Senior executives may initially feel that the degree of personal involvement required during the program is too significant.
- Change Leaders **highlights the reality of the change** and the true personal effort required by senior managers to incorporate a new way of doing business in an organisation. To invest less time is to generate a situation that, in the ultimate analysis, will demand not only more time, but may result in personal derailment.

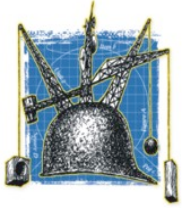
Conclusions

- Change Leaders is similar to **buying insurance** for a business plan or strategy. It can be positioned as a key requirement for any organisation considering major change. In any of the Change Leaders projects recently completed, the client has always been satisfied that the benefits of the program far outweigh its costs.
- The process challenges individuals to raise their level of performance, and encourages **teamwork** among senior executives, thereby eliminating independent activity which can consume up to fifty percent of an organisation's productivity. The relative cost of this productivity loss, in cases such as The Coca-Cola Company, GE Corporate Finance, and Chiron Vaccines, can be counted in the millions of dollars.

PEG CONCEPT #5

Value is added through a Change Leaders process:

- The senior management team asserts itself as the engine of change and holds itself accountable.
- People see themselves as part of the solution, not part of the problem – passive resistance is reduced.
- The CEO knows that the executive team is committed and will deliver.
- Senior executives receive individual attention through counselling and targeted coaching.



Why Square Peg International Ltd.

"As an innovative organisation on strategy clarification, leadership development, and the implementation of aligned people practices, Square Peg was comprehensive in its assessment of the strategic needs of our executives and constantly challenged us to deliver ever greater value."

**Wendy Izod, GE
Commercial Finance**

Organisational effectiveness is our business. At Square Peg, organisational effectiveness is our business performance is our goal. Our consultants are seasoned experts who understand, from first-hand experience, the challenges of running and growing an organisation. Our research and constant search for global best practices ensures that we deliver innovative workable solutions to help meet those challenges head on.

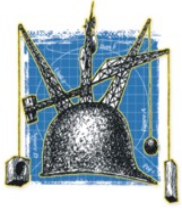
Clients are why we exist. Our success formula of growing one client at a time works and we now provide support to clients all over the world. As a small focused firm we can dedicate the attention and time required to develop long standing, valued, relationships with many of our clients – more than 20 years in some cases. This approach allows us to have a complete understanding of their needs and means that we can move quickly to focus our efforts on activities that add value. Our creative solutions are inspired by our overriding commitment to total client satisfaction. We strive for a special synergy in our client relationships. We challenge each other. Brainstorm. Test ideas. Lock in solutions.

We have a “no bull” attitude. Like all highly successful market focused businesses, Square Peg International's future isn't just about money. What we really believe sets us apart is the integrity we bring to our work; it is about leadership, making things happen, and a “no-bull” attitude. We believe that business success is not achieved through brilliant strategy. It is achieved through the brilliant execution of strategy and solutions need to pass the common sense test – always!

We take a complete approach. Unlike other firms that bring only functional or technical expertise, we take an holistic approach to our engagements, focusing on the strategy, leadership and people practices that contribute to organisational effectiveness. This approach, combined with our strong commercial acumen, results in recommendations that are fact-based, results-oriented and actionable.

At Square Peg, we use a flexible, bespoke approach to consulting. We don't use off-the shelf solutions, we don't have to. We are innovators – thought leaders with global breadth and depth of services. Our network of consultants and independent associates can provide whatever level of service that our clients need, from over-the-shoulder advice to hands –on involvement.

We know that the best consulting services are an investment – not a cost. Square Peg strives to deliver the best return on your investment. We can help your organisation achieve organisational excellence.



About Square Peg International Ltd.

"Passion, real world experience, integrity and a partnership approach differentiate Square Peg consultants from the pack. Square Peg gave me ideas ahead of my competitors. When everybody else was talking about a new idea, I was talking about how we could refine implementing it - Square Peg supported me to keep one-step-ahead."

**Ed Hoskins,
Global VPHR
Chiron Vaccines**

Square Peg is an international boutique consulting practice that provides an integrating force in the alignment and effectiveness of organisations. Our services are based on the interrelationship between business strategy, leadership and HR - our focus is to help clients improve performance and drive value.

As business consultants focused on the people side of change we support clients managing a variety of enterprise-wide changes such as M&A's, establishing new mandates, and meeting new expectations.

We maximise productivity, performance and morale and drive value by accelerating results, ensuring their quality, and measuring their impact. From our offices in the UK and North America we assist companies to capture the full value of their investment in people.

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