



# Book Business Climate Shifts

## Profiles of Change Makers

Richard Koonce, William Trahant and W. Warner Burke  
Butterworth-Heinemann, 2000

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## Recommendation

Like a ship’s captain, a CEO is only as good as the latest weather report. If a chief executive unknowingly steers his or her ship into the path of a hurricane, that ship’s in trouble, no matter how skillful a seaman that captain may be. And unfortunately for CEOs, hurricanes - in the form of disruptive changes that remake markets overnight - have become almost an everyday danger. Authors W. Warner Burke, William Trahant and Richard Koonce argue that the most critical function of a corporate leader today is to monitor and respond to these rapid shifts in the external marketplace, or business climate. To illustrate this point, they offer insightful profiles of leaders who successfully guided their companies through the storms of organizational change initiatives. These profiles are especially effective in giving the reader both a sense of the personalities of these dynamic executives and a practical breakdown of the methodologies and strategies that they employed. *BooksInShort* strongly recommends this book to senior executives, would-be change agents and anyone curious about how to navigate the turbulent environment of 21st-century business.

## Take-Aways

- Moore’s Law - which states that computing power doubles every 18 months - has become an apt metaphor for the pace of organizational change.
- Conditions in the external marketplace can be likened to an ecosystem. Sudden business climate shifts force companies to adapt.
- Business climate modeling identifies key variables in a business environment.
- "Change-capable" organizations understand that old hierarchies are outmoded and that linear thinking can be fatal.
- Organizational assessments identify your drivers of organizational performance.
- When it comes to implementing change initiatives, there is no substitute for the personal involvement and commitment of the leader at the top.
- CEO Bob Bauman guided Beecham through its merger with SmithKline Beckman by identifying the values that defined the new company culture.
- Sir Richard Evans united the disparate fiefdoms of British Aerospace by starting its change effort at the top and gradually

- expanding through management ranks.
- To stay competitive, AlliedSignal CEO Larry Bossidy bets on people, not strategy.
- U.S. Postmaster General Bill Henderson uses charismatic leadership to appeal to postal workers' sense of pride and loyalty.

## Summary

### Change Isn't What It Used To Be!

Moore's Law - the idea that microchip computing power doubles every 18 months - originally described a technical phenomenon, but has since become a metaphor for transformational change within organizations. As the pace of organizational change accelerates, Moore's Law can be applied to systems engineering, product innovation, markets and organizational structure.

Radical change has become commonplace - a phenomenon best described by the term, phase shift. A phase shift is change so rapid that it transforms the rules of business overnight. Such transformational change is affecting not only the marketplace, but also the social, cultural and political context in which business gets done.

“Make sure your organization's top leader is clearly seen as an active catalyst for change.”

But many corporate executives aren't ready to deal with such shifts. What they need is a new perspective. Today's global business environment can be seen as an economic ecosystem. Within this ecosystem, change occurs as a result of constantly shifting climatic elements.

### The Change-Capable Organization

To analyze key variables in this environment, use business climate modeling, which incorporates the following underlying principles:

- Companies must accept chaos. Give up trying to create an artificial stasis in your market or business environment. Chaos is here to stay.
- Incremental and systemic change is endemic to today's ever-expanding economy.
- Everything is connected: markets, countries, capital, customers and industries.
- Linear thinking will kill you. With interrelated variables and exponential development, straight-line projections are lethal.
- Hierarchies are outmoded.
- In a constantly shifting environment, organizational intelligence is the key competitive advantage.
- Transactions are obsolete. Value-added interactions that help cement customer relationships are critical.
- When products and services have become commodities, customer service becomes the lasting differentiator.

“Change is no longer linear or incremental. It is rapid, discontinuous, and exponential - both in nature and impact.”

Companies that subscribe to these rules of engagement are change-capable organizations. They allow customer service to drive their organizational structure. They leverage charismatic and instrumental leadership to drive change initiatives. They maintain teamwork as a root value, and they view marketplace turbulence as an opportunity to learn and improve best practices.

### Understand Performance Drivers

An organizational assessment will help you identify your company's market position, strengths and weaknesses. The key is determining the drivers of performance within your organization. Transformational drivers include external environment, mission and vision, strategies, leaders and culture. Transactional drivers include structure, management practices, systems, skills, motivation and performance.

Asking questions about these organizational drivers will help you decide what change is necessary and how to implement it. In short, conducting an organizational assessment is a valuable step in creating a culture that supports change initiatives over the long run. The

companies showcased in the following examples created effective change roadmaps using these methods.

## **The Promise of SmithKline Beecham**

When Bob Bauman became CEO of British-based Beecham, the company was a second-tier drug company without the resources to match industry leaders in the R&D spending required to drive growth. Realizing that his company could not grow fast enough on its own, and unwilling to incur the massive debt needed for a sizable acquisition, Bauman went looking for a merger partner that could deepen Beecham's penetration into the U.S. market. SmithKline Beckman and CEO Henry Wendt proved the perfect match.

“There is no simple ‘shake-and-bake’ recipe or rule by which to lead successful change efforts. For the craft of change leadership is as much a human art as it is a management science.”

The merger of SmithKline Beckman with British-based Beecham was a model of effectiveness. The merger started with the "The Promise of SmithKline Beecham," a mission and vision statement that provided clarity of direction. The promise gave employees from both organizations a set of goals to work toward as a new, combined company. Management communicated the objectives of the new company to employees as if they were marketing a new brand, complete with catchy slogans, including "Now We're One," and "Simply Better."

“There's nothing more powerful for the organization than to see its senior leaders and managers adhere to the same standards that are being given to others.”

The management team identified the key values that would define the new company culture: innovation, integrity, performance and people. It also created a means to measure and provide feedback on how and if the new organization was advancing toward these values. The company implemented a 360-degree feedback system of evaluation by peers, subordinates and bosses. Finally, management embarked on a two-week, team-building and learning exercise in Japan.

The lesson: There is no simple, "shake-and-bake" method of success for every transformation initiative. Remain vigilant about changes to your company's operating environment and leverage your strengths as a leader to shape the contours of your organization's transformation.

## **The Reinvention of British Aerospace**

Sir Richard Evans, chairman of British Aerospace, faced a daunting challenge: to unite the fiercely independent fiefdoms that dated back to the company's birth in a 1977 merger of British aircraft manufacturers. Evans began the assimilation process by establishing that the change initiative came from the top.

“We're living through a time of tremendous sea changes in business.”

To change the company culture, Evans needed management throughout the organization to buy in. He started holding intense discussions with his top executive team, expanded the talks to the 30 top managers in the organization, and eventually extended the dialogue to include 170 key executives. Each time a larger group was brought in, the core values were re-examined from the ground up. A professional facilitator conducted a series of structured workshops. When it seemed the effort was flagging, Evans appointed a key executive who ran the company's biggest business unit to manage the BAe Benchmark Program on a full-time basis. This sent a strong message that management was deeply committed.

“The value of scenario-planning in business cannot be overstated today, especially as the business environment grows increasingly complex and interdependent.”

As a result of the change initiative, BAe gained a renewed understanding of the importance of its customers, and made the surprising realization that most of the customers that its employees served were internal. After the program, cross-functional teams and cooperation between business units have become commonplace, as the barriers between business silos erode. The personal involvement of a strong leader, a keen focus on corporate values and a dedicated adherence to a conceptual plan through to the implementation phase were all keys to the reinvention of the company's culture.

## AlliedSignal: The Learning Leader

Employee learning is at the heart of AlliedSignal's successful business strategy, which has consistently generated annual earnings-per-share growth rates of 13%-17% since CEO Larry Bossidy took the helm in 1991. AlliedSignal has moved beyond traditional notions of employee training and embraced a more strategic view of employee development as a key to future viability and profitability.

To stay competitive, Bossidy bets on people, not strategy. AlliedSignal invests two percent of payroll annually on employee development. All employees, including the CEO, have a training-and-development plan to continuously expand their skills. AlliedSignal enhanced its training with Six Sigma, the quality improvement program that relies heavily on quantitative measures. The company's goal is to align the behavior and skills of all employees with AlliedSignal's business activities and goals.

“The beauty of conducting change-readiness assessments is that they provide a substantive understanding of the inner workings of an organization.”

By integrating learning and real work in this manner, AlliedSignal has cemented relationships with customers, cut costs, boosted productivity and improved product quality. Key questions for any company undertaking a learning initiative include:

- Is top management involved in linking the learning process to change goals?
- Does the corporate culture view learning as a way to improve the business and the individual?
- Is the training function purely reactive, or does it play a strategic role?

## A Mail Role Model

Managing change at the United States Postal Service requires a unique leadership model. For starters, there's little danger that the company will be acquired or eliminated from the marketplace, despite fierce competition from the likes of UPS and Federal Express. As such, U.S. Postmaster General Bill Henderson cannot base his change efforts on the "burning platform," a common rationale for change that maintains people won't react until there is an urgent and critical need.

“Change isn't easy. But a merger creates a kind of mini-crisis. Once you announce it, everyone knows that things will be different.”

Instead, Henderson must appeal to postal workers' sense of pride and loyalty. He is helped in this effort by his ability to identify with the rank and file from which he emerged, which allows him to effectively experiment, communicate, and exhort. And unlike private-sector companies, the Postal Service has preserved its goal of retaining employees for the duration of their careers. This cornerstone mission helps it maintain consistent and ubiquitous service.

Henderson does not rely on charismatic leadership alone. He has implemented incentives and performance-evaluation procedures to drive new ways of working. The Postal Service also embarked on its first five-year plan, with specific goals for percentage of on-time deliveries, revenue and market-share increases and reduction in labor costs.

“This is why bringing about change - any kind of change - in an organization takes so long. You can't make any moves until you make people comfortable with what you want to do.”

Putting an emphasis on effective communications, identifying with the rank and file, viewing change as a continuous journey, and combining pragmatism with vision are the secrets behind Henderson's ability to successfully transform the Postal Service in response to an increasingly competitive business environment.

## Are You a Change Maker?

So what does the future hold for your organization? Among other things, you can expect an acceleration of phase shifts, the periodic disruption of organizational designs by the introduction of new technologies and continued market convergence and productivity gains. The pace of scientific discoveries is likely to increase exponentially, with knowledge doubling on a regular basis.

“Building a high-performance learning function will become increasingly essential to the health and welfare of all

companies in the years ahead as the pace of change continues to accelerate.”

### **To survive, you’ll have to adapt to meet the following challenges:**

- The organizational redesign of companies will accelerate, largely due to e-business.
- The rising cost of attracting new customers means that smart organizations will become more customer-focused than ever before.
- Knowledge companies will create programs designed to maintain employee growth.
- Web-based learning will become the standard way to develop and train your employees.

For companies that meet these challenges - by remaining vigilant and opportunistically responding to changes in the business climate - the future is bright.

## **About the Authors**

**W. Warner Burke, Ph.D.**, chairs Columbia University’s Department of Organization and Leadership at Teachers College. He is considered a leading thinker in the field of change management. A Professor of Psychology and Education, he is the author or editor of 13 volumes on business change. **William Trahant** is a Senior Partner with PricewaterhouseCoopers in Arlington, Virginia. His responsibilities include oversight of the firm’s Organization and Change strategy initiatives on the American continent. He has more than two decades of diverse consulting experience, and is a member of the Council of Governors of the American Society for Training & Development. **Richard Koonce** is an author, radio commentator and business consultant.

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