BAE SYSTEMS North America

Change Leadership

James G. S. Clawson

Johnson & Higgins Professor of Business Administration Darden Graduate School of Business Administration University of Virginia

Structure of Change Leadership Seminar

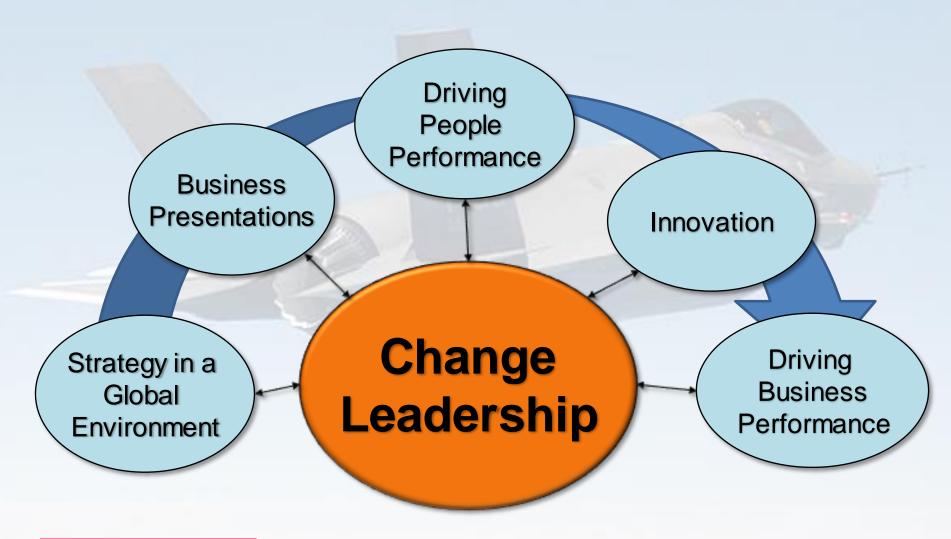
Day One	Fundamental Concepts
Day Two	Leading Change Simulation
Day Three	Leading Large Scale Organizational Change from middle and top
Day Four	Applications and Aspirations

Course Learning Objectives

- Comprehend the models of strategic change, articulate the challenges of using them, and practice the use of methods for driving to success.
- Utilize principles for leading in a continuously changing environment with multiple, complex variables.
- Apply tools for leading through the change experience and managing energy and motivation during uncertain and evolving times.
- Execute strategies that emphasize successful channels to drive growth and lead change from existing context and culture.
- Model the TPL behaviors of Trusted, Innovative, and Bold while leading strategic change, and executing and implementing continuous change, at BAE Systems.

Change Leadership

••• Links to and Integrates with Other BAES Programs



... and focuses on **BAES KEY CONCEPT THEMES**

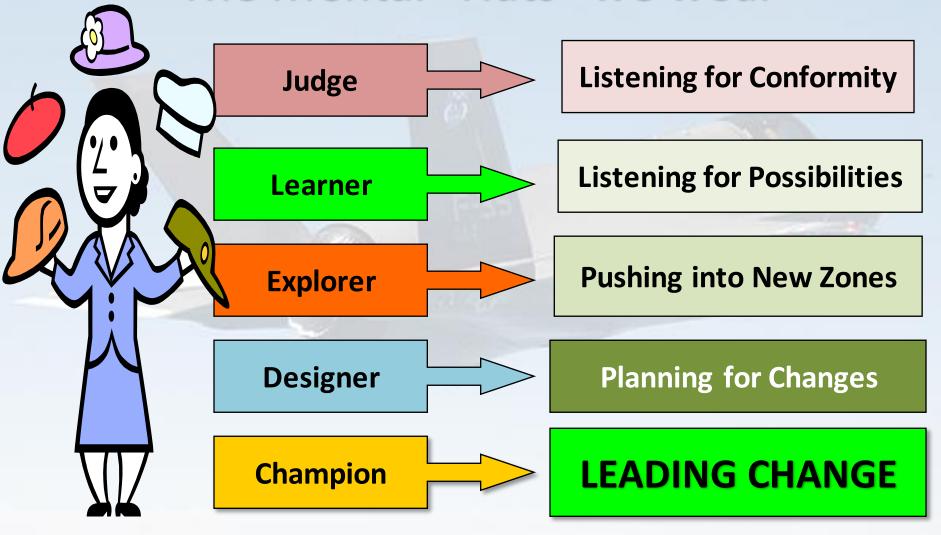
- Trust and trustworthiness
- Boldness
- Innovation
- Ethical Behavior
- Inclusion and Managing Diversity

Watch for these throughout!

Program Invitations

- Look and listen for the possibilities (not conformity)
- Keep a Personal Insight Page (PIP sheet): Look for and write down things you would like to work on in the next 90 days; consolidate your learning after each class.
- Contribute your experiences and insight to the group.
 Let's bring all of our collective expertise to bear.
- Read and prepare the assignments or you'll be left behind.
- Take responsibility for your own learning; if you want to go in a different direction, say so.

People have mental *habits*The Mental "Hats" we wear



SYSTEMS

This "slide book/graphic novel"...

- Includes "chapters" for each session of the seminar.
- May include more or less information than occurs in each session.
- Not necessarily in the sequence that concepts will arise in class
- Can be used as a reference to the seminar
- Can be "read" as a graphic novel/text

Level Three Leadership...

- Provides another reference to the concepts we'll discuss
- Has a number of exercises we'll use during the week (see the workbook in the back)
- Has chapters with more detail on concepts we'll discuss in the seminar

LEVEL THREE LEADERSHIP

Getting Below the Surface



JAMES G.CLAWSON

Session 1

Creating the Foundation

Challenge Identification

Introduction

- Meet each other.
- Establish ground rules and expectations for the week.
- Identify key change challenges we face as foundation for our discussions.
- Introduce some key concepts.

Introductions

- Name
- Location
- What do you build?
- Biggest Change Issue/Challenge you're dealing with at Work and in Life

Nature and Levels of Human Activity

HABITUAL?

- 1. VISIBLE BEHAVIOR
- 2. Conscious Thought
- 3. VABES (values, assumptions, beliefs, and expectations about the way the world is or should be)

What **change challenges** are you facing?



What's a "strategic change challenge?"

A **Strategic Issue** is **any** issue that significantly influences *your* ability to develop and maintain a competitive advantage.

A Change Challenge is anything that pressures you to do things differently individually or collectively.

Who's the "you?" STRATEGIC CHANGE LEVELS for discussion

Societal
Organizational
Departmental/Program
Individual

What's a COMPETITIVE ADVANTAGE?

- A competitive advantage has three key characteristics:
- 1. it provides superior value to customers
- 2. it is hard to imitate
- 3. it enhances one's *ability to respond to changes (flexibility)* in the environment.

Adapted from George Day (1994)

SOME SOURCES OF COMPETITIVE ADVANTAGE

- Government subsidy or support
- Established or monopolistic markets
- Product innovation (reverse engineer?)
- Process innovation (Cost efficiencies)
- Superior Service (Experience Economy)
- Human Resource Management (soft stuff hard to copy)
- Learning

What's your Habitual Point of View? (POV)

POV	Things they say
Follower's Point of View?	
Bureaucratic Point of View?	
Leader's Point of View?	

Your point of view doesn't depend on your title...

Leadership Point of View (LPV)

- 1. Can you see what needs to be done?
- 2. Do you understand all the underlying forces at play?
- 3. Do you have the courage to initiate action to make things better?



Problems: The Source of Change

"...the starting point of any effective change effort is a *clearly defined* business problem."

Beer, Eisenstadt, Spector—Why change programs don't produce change. HBR

What problems do you SEE?
What kind of problem is strong enough to motivate you to initiate change?

The Structure of Problems: Want-Got Gaps

1. Stakeholder 2. WANT Gap?

Quick Overview of Problems

Stakeholder #n	
Want	Got

Stakeholder #n	
Want	Got

Stakeholder #n	
Want	Got

Stakeholder #n	
Want	Got

US:	
Want	Got

Leading by Solving Problems



LEADERSHIP ACTIVITY	Questions	Answers
Problem Solving	Old	New
Problem Finding	New	Old
Problem Creating	New	New

Adapted from Pathfinding by Harold Leavitt, Stanford GBS, 1995

But wait!

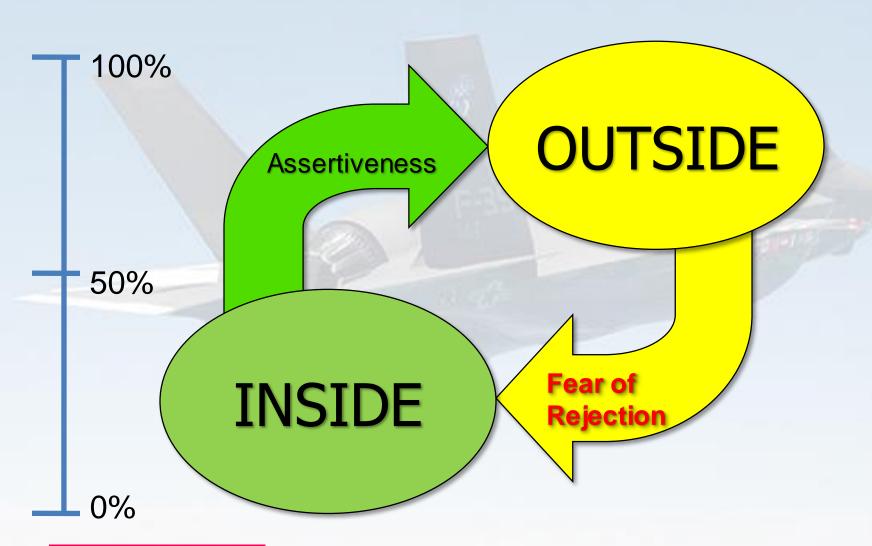
There's a problem with problem solving ...



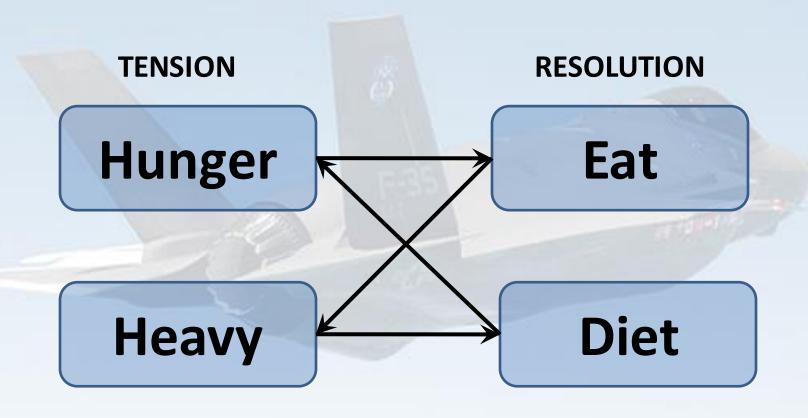
The Problem with Problem Solving: OSCILLATION

- Recognizing the problem (see) leads to action to solve the problem
 - → Leads to less intensity of the problem
 - → Leads to less action to solve the problem
 - → Leads to the problem remaining
- False sense of security: you know just what you are supposed to do: find and solve problems. If you didn't have problems, what would you think about? How would you spend your time?
- What drives the action is the intensity of the problem
 - → REACTIVE OSCILLATION.

Pro-action vs. Reaction

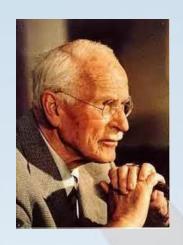


Structural Conflict leads to Oscillation



Organizational Oscillation drains energy

Centralize Decentralize **Customer Focus** Geography Focus Grow Contract Acquire **Organic Sales** Diversify Stick to Knitting



"Problems" are Insolvable

"All of the greatest and most important problems of life are fundamentally insoluble...they can never be solved, but only outgrown. This "out growth" proved on further investigation to require a new level of consciousness. One higher or wider interest appeared on the patient's horizon, and through this broadening of his or her outlook, the insoluble problem lost its urgency. It was not solved logically in its own terms, but faded when confronted with a new and stronger life urge."

-- Carl Jung

The Path of Least Resistance

Robert Fritz 1984, 1989 Random House



THE PATH OF LEAST RESISTANCE



Learning to Become the Creative Force in Your Own Life



ROBERT FRITZ



Fritz's Alternative: Orient to the *Creative Process*

- 1. Describe accurately where you are (Collins' "confront the brutal facts")
- 2. Make a *vision* of *what you want to create* with your life/work.

 Make sure it's something you want bad, you are magnetically attracted to it.
- 3. Formally *choose* the result you
- **4. Move** On (if you really want it, you will nat direction.)

What do you want to create?

For example ...

Problems	Creation
Reduce pollution	Create a healthy living environment
Increase profits	Create a sustainable company
Hire (fire) more people	Create a flexible organization
Gain control	Create a responsive company
Raise the stock price	Create lasting contribution to society
Lay brick	Create a cathedral
Increase membership	Create a society of HR learning

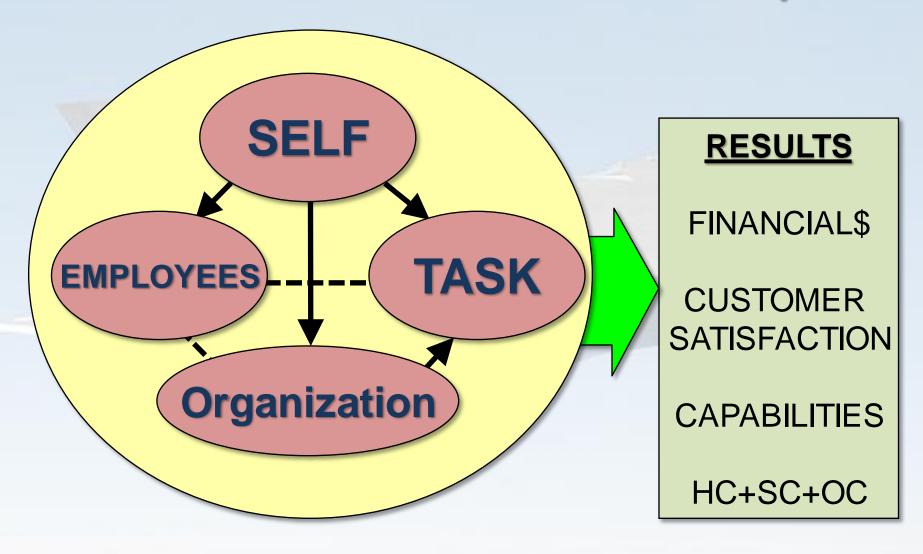
What this points out is that our real topic is ...



Key Leadership Initiatives

1. Who are 3. Can you 2. What's you? "sell" your Your "story?" story? **LEADER** Developing (traits) Strategic Thinking Influence Designing **OTHERS STRATEGY** (priorities) (employees) **ORGANI-**4. Does your **ZATION** organization (design) 5. Can you design lead change help or hinder? to keep up? BAE SYSTEMS 35 © James G. Clawson

Elements in Effective Leadership



Session 2

MODELS OF CHANGE

We live in a world of dramatic and on-going change...



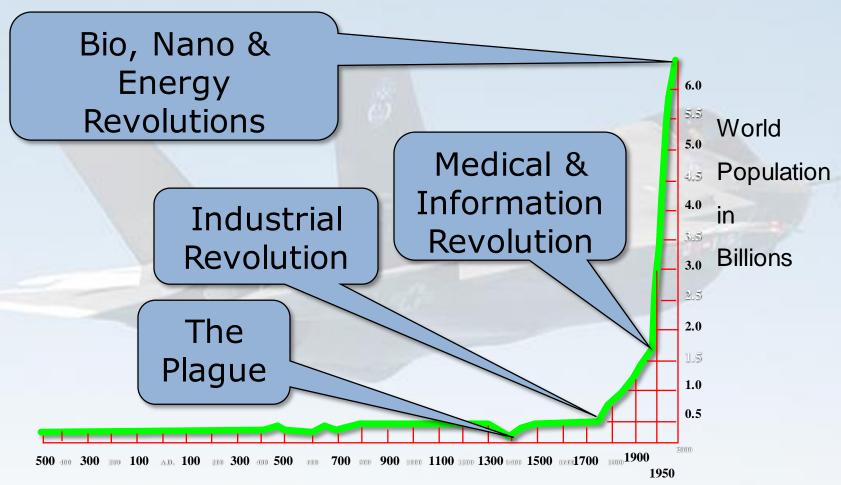


"Ten short years.... the one thing that we have done consistently is to change It may seem easier for our life to remain constant, but change, really, is the only constant. We cannot stop it and we cannot escape it. We can let it destroy us or we can embrace it.

We must embrace it."

Michael Eisner
Disney 1994 Annual Report

Population Growth



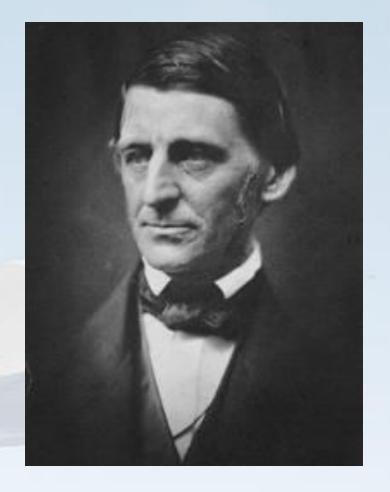
Source: US Census Bureau, Population Reference Bureau, adapted from Breathing Space, by Jeff Davidson

Types of Change

- Big Bang: discontinuous
- Incremental or evolutionary
- Externally driven ←→Internally driven
- Top Down ←→ Bottoms Up
- Out there ←→ In here

There are always two parties, the party of the past and the party of the future; the establishment and the movement.

Ralph Waldo Emerson.

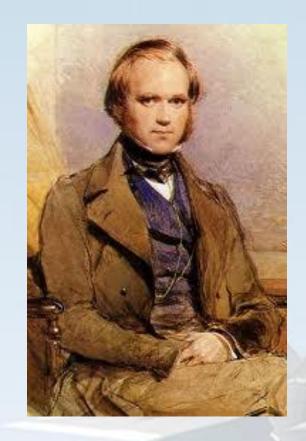


Every CEO has to spend an enormous amount of time shuffling papers. The question is, how much of your time can you leave free to think about ideas? To me the pursuit of ideas is the only thing that matters. You can always find capable people to do almost everything else."

Michael Eisner, Fortune, December 4, 1989, page 116.

"A system left to its own devices will recreate itself."

» John Bradley, JPMC



"It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change."

Charles Darwin

John Chambers at Cisco

- In 2000, Cisco had largest market cap in the world, 50% annual sales growth.
- Dot Com bust: Cisco stock went from 80 to 11. John Chambers laid off thousands, shrank supplier, jettisoned product lines.
- He commented in retrospect, "Without exception all of my biggest mistakes occurred because I moved too slowly."

Business Week, March 23&30, 2009, p. 030. "There is no more normal" Jena McGregor

Can People Change?

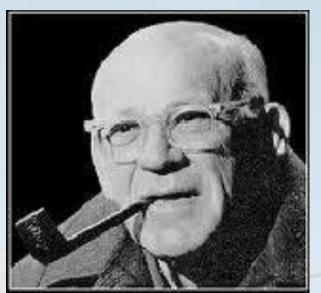
Of course. But, how?

If so, what's the probability?

Change and Learning

In a world of change, learners will inherit the earth, while the learned shall find themselves perfectly suited for a world that no longer exists.

Eric Hoffer, Ordeal of Change



Models of Change

(*L3L 5e*, Ch. 24)

- Kurt Lewin
- Michael Beer
- John Kotter
- Tim Gallwey
- MIT Model
- Elizabeth Kubler-Ross
- James O. Prochaska
- Peter Senge
- Jim Clawson

Kurt Lewin

- Unfreeze
- * Retrain
- * RETRAIN



nius I no

Beer's Equation for Leading Change



 $Cp = D \times M \times P > C$

Cp = Probability of Change

D = Dissatisfaction with Status Quo

M = Clear Model or Vision of the Future

P = Clear Process for Managing the Change

C = Cost of Making the Change

from Leading Change, Michael Beer, HCS

Kotter's 8 Errors in Leading Change

- Allowing complacency
- Failing to create a guiding coalition
- Underestimating the power of vision
- Under-communicating the vision by 10, 100, or 1000
- Allowing Obstacles to block the vision
- Failing to create short-term wins
- Declaring victory too soon
- Neglecting to anchor changes in culture



From Leading Change, John Kotter, HBS Press, 1996.

Kotter's Eight Stage Process for Creating Transformation

- Establish a sense of urgency
- Create a guiding coalition
- Develop strong vision and strategy
- Over communicate the vision and strategy
- *Redesign to encourage broad-based action
- Generate short-term wins
- Consolidate gains in redesign and HR
- Anchor changes in the culture

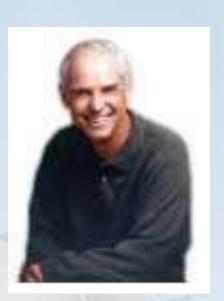
Adapted from Leading Change, John Kotter, HBS Press, 1996

Inner Game of Change

Self 1 (Shoulds) and Self 2 (Inner Self)

- Select the right measures
- Focus attention and see what happens
- Listen to Self 2

Adapted from Tim Gallwey, Inner Game of Work



Nevis' MIT Phases of Change

Complacency/Turbulence/Resistance/Small Wins/Consolidation/New Baseline

Change as Dying a Little Death

Elizabeth Kuebler-Ross

Emotional Pendulum of Change

Disconfirming Data

DENIAL



July 8, 1926 - August 24, 200

Denying the Message

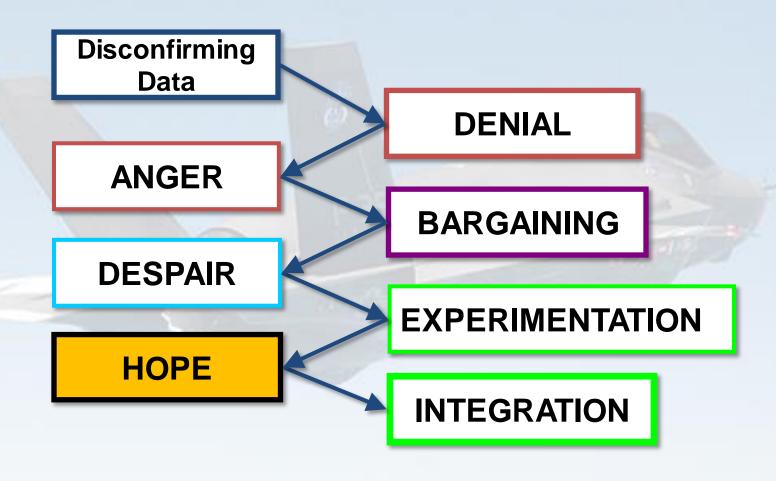
Denying the Messenger

DENIAL

Denying One's
Ability to Do
Anything

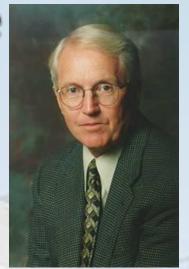
Denying the Relevance of the Message

Emotional Pendulum of Change



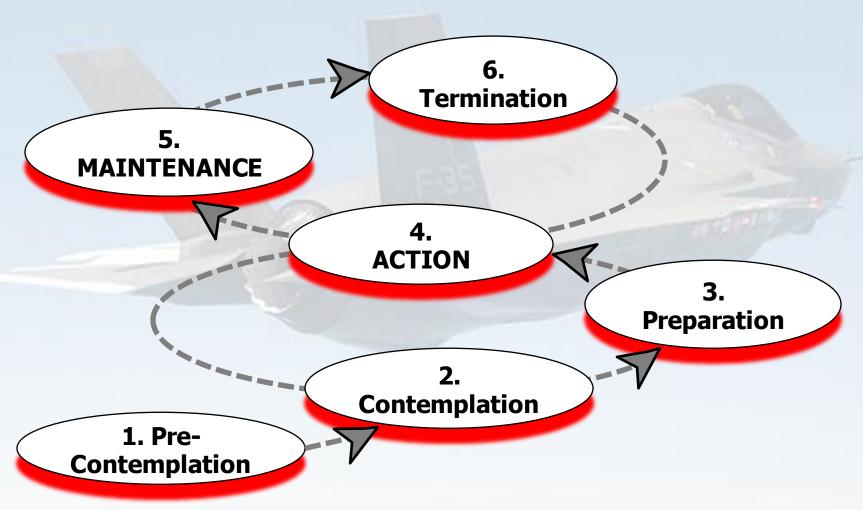
Prochaska's Spiral of Change

Stage	Key Activity
Pre-Contemplation	Unaware of the problem much less the solution
Contemplation	I want to stop feeling/doing this.
Preparation	I will do something very soon.
Action	I am doing something about this.
Maintenance	Careful attention to maintaining the change and not recycling
Termination	Temptation and threat have disappeared.



Prochaska's Spiral of Change

Recycling is likely for as many as 85%.



Senge's Model of Change FUTURE

Most Change Agents Stay BELOW the Line

What do we need to do tomorrow?

INTERNAL

Do Alone

Who do we need to partner with?

EXTERNAL

Need to collaborate

What are we doing today?

Who do we partner with today?

TODAY

The Necessary Revolution, Peter Senge, 2008

Senge's Model of Change

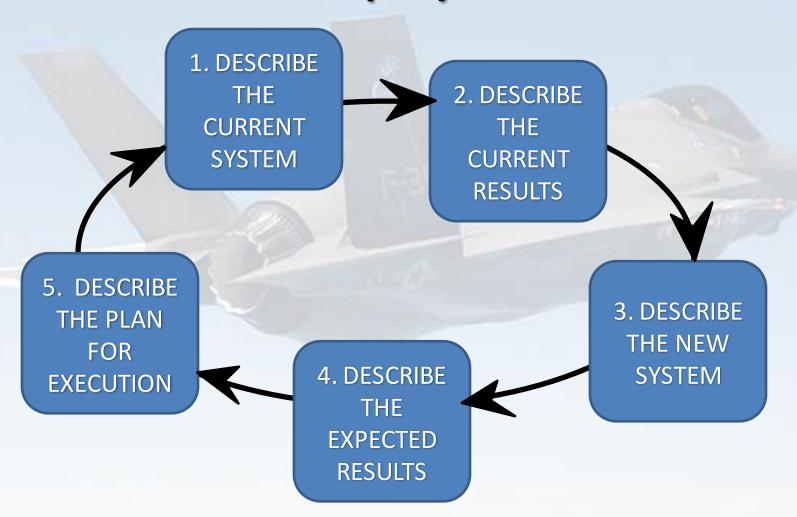
- Not from the top, from the bottom or middle, anywhere
- Organize in groups and teams not individuals
- Only need a few, e.g. 10 out of 8
- Start people thinking, give them new insights
- Find stories to tell about value creation that we can't escape
- Spend three years "hanging out" talking with people

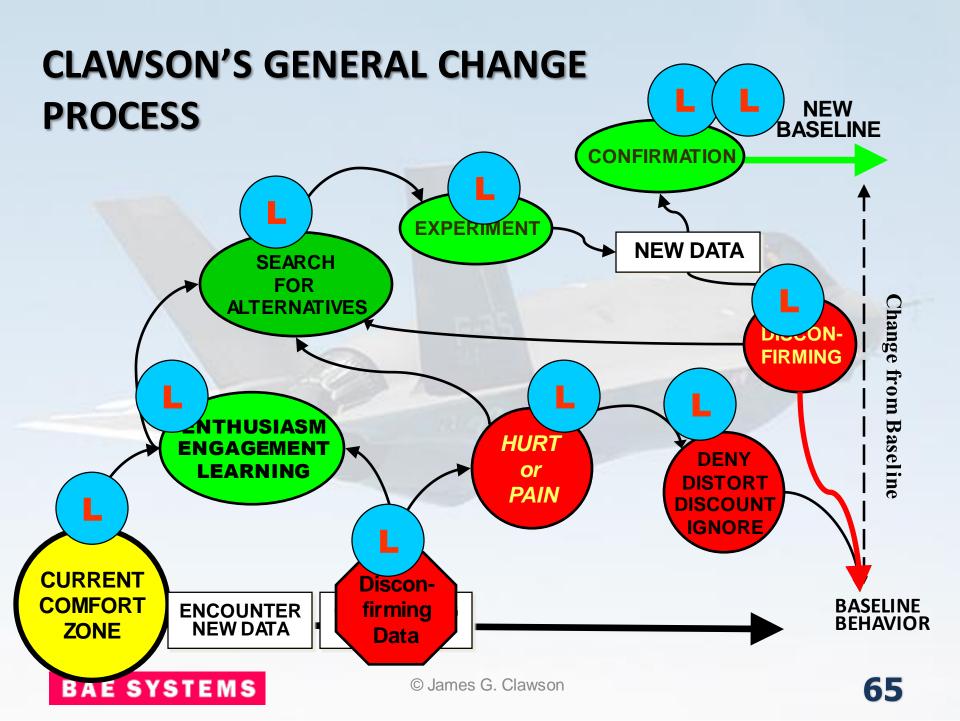
- Network more, meet more people who are knowledgeable
- Spread it slowly (like zoysia grass)
- Listen and hear it from your peers
- Success depends on the richness of your networks
- Create visual images for people (they stick)
- Be consistent
- Remember executives can screw it up

GE WORKOUT PROCESS

- Training on Change Theory
- Identify broken or dysfunctional systems
- Prepare presentation on those systems
 - 1. Describe current system
 - 2. Describe current results
 - 3. Describe new system design
 - 4. Describe expected results
 - 5. Describe plan for making change
- Present to Senior Management
- Expect decision on the spot, no more analysis
- Develop Change Oversight committee to monitor and track progress
- GE FANUC: 205 projects → one of ten best plants in the USA

Five Slides for Continuous Change (GE)





Clawson Sequentially

- Help people get out of their comfort zones (habits)
- Be willing to deliver disconfirming data
- Identify and collaborate with like-minded groups
- Be willing to help people through pain and denial
- Help people identify alternative approaches (creativity, innovation)
- Help people plan their experiments (active coaching)
- Help interpret results data from experiments (encouragement)
- Reward and reinforce successes (encouragement)
- Be relentless in reinforcement
- Behave consistently all the time



Buy-In

- 1. Passion (What you ask is the #1 thing in life.)
- 2. Engagement (I want to do what you ask.)
- 3. Agreement (I will do what you ask me to do.)
- 4. Compliance (I will do what you ask but I will be looking for loopholes all the time.)
- 5. Apathy (I really don't care what you ask one way or the other.)
- **6. Passive Resistance** (I go slow, occasionally make mistakes and drop a wrench in the works.)
- 7. Active Resistance (I will fight what you want.)

Buy-In Mottos

Buy-In Level

- Passion
- Engagement
- Agreement
- Compliance
- Apathy
- Passive Resistance
- Active Resistance

Motto

- Whatever it takes.
- Do want you want.
- Do what you should.
- There's always a way around it.
- Whatever.
- Oops.
- No way in hell.

Leadership Technique and Consequence

1. Level One Techniques:

Pay, rewards, punishments, threats, coercion intimidation

2. Level Two Techniques:

logic, data, evidence, reason, statistics, charts, analysis

3. Level Three Techniques:

vision, purpose, values, stories, music, symbols, strategy, TPOV

BUY-IN

- 1. Passion
- 2. Engagement
- 3. Agreement
- 4. Compliance
- 5. Apathy
- 6. Passive Resistance
- 7. Active Resistance

What can I do to make change happen?

- Expand and sharpen your vision: what do you want to create?
- Expand your creative skill set
- You teach what you tolerate: find allies
- Create win-win's for all parties
- Become an ally, not an adversary
- Accept and channel the other's point of view
- Change yourself, not others



Does experience lead to wisdom?

"Most people do not accumulate a body of experience. Most people go through life undergoing a series of happenings which pass through their systems undigested. Happenings become experiences when they are digested, when they are reflected on, related to general patterns, and synthesized."

Saul Alinsky, Rules for Radicals, quoted by Henry Mintzberg in "The Five Minds of a Manager" HBR 11/03

Break



Session 3: LEADING STRATEGIC CHANGE Peter Browning and Continental White Cap

- How does one organize one's strategic thoughts?
- What comprises a "strategy?"
- There are multiple strategic lenses we might use to assess a company's strategic situation

Models of Strategic Thinking

- Gilmore and Pine
- Ansoff (Tichy and Charan)
- Porter
- Prahalad
- Stalk
- McKinsey
- Christensen
- Hamel
- Etc.

STRATEGIC MODELS

- What follows are a variety of current strategic thinking models that may help you <u>see</u> what needs to be done.
- See Appendix at the bottom.

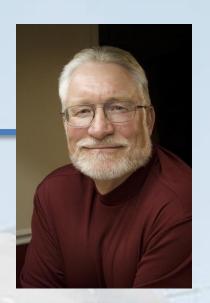
Conversations about strategy
tend to be, in my experience,
confusing and misleading.
Here's a way to clarify your
strategic thinking and speaking...

Think in terms of a "charter."

- Charters have six elements...
- ... that can be applied to any endeavor
 - Society
 - Enterprise
 - Division
 - Function
 - Current work group
 - Individual

Organization "Charters"

- 1. Mission Statement
- 2. Vision Statement
- 3. Values Statement
- 4. Strategy
- 5. Operating Goals
- 6. Leadership



ORGANIZATION CHARTERS



- 1. Mission Statement
- 2. Vision Statement
- 3. Values Statement

- 4. Strategy
- 5. Operating Goals and Milestones
- 6. Leadership

Mission Statement should be ...

- Short, (one sentence), pithy, memorable inspiring
 - "We protect those who protect us."
 - "We make education affordable for everyone."
 - "Keep Virginia moving."
- NOT: "we deliver world-class goods and services that delight our customers beyond their expectations and give our investors an above-industry average ROI."

Vision Statements should be ...

- Pick the future time horizon (10, 20, 250 years?)
- Detailed (10-15 pages)
 - Financial, Operations, Customers, Reputation, etc.
- Put a stake in the ground.
- Inspiring to all.

Values Statements should be ...

- Less than one page
- Easy to remember
- Clear
- Authentic, not inconsistent BS
 - "Employees are #1 because they serve customers."
 - "When in doubt, make the least expensive decision."

Strategy should be ...

- Detailed.
- Usually the longest section (30 pages?)
 - Financial Strategy
 - Marketing Strategy
 - Operations Strategy
 - Intellectual Capital
 - Etc.

STOGs should be ...

- Specific
- Beware the wrong ones
- Beware too many (64 for a plant manager?)
- People pay attention to what's measured

Leadership ...

- WHO is going to make all of these decisions for a firm?
- If there's a vacuum, fill it
- YOU can create the charter for your organization, current responsibility, current team, and you as an individual.

The ing (here) Death of Bureaucracy

Threat PEAL CARCY

- 1. Rapid and une.
- 2. Growth to sizes where
- 3. Increasing complexity that req
- 4. Changes in managerial behavior

 A new concept of humankind
 A new concept of power
 A new concept of organizational values

Warren Bennis, think, 1966

not be sustained

ordination

Principles of Bureaucracies

- 1. Law supersedes personal judgment.
- 2. Offices have responsibility, not surnames.
- 3. Incumbents of offices have authority.
- Obedience to the office.
- 5. Offices bound by rational division of labor.
- 6. Offices fit into a hierarchy of authority.
- 7. Incumbents should learn to fit into their offices.

Max Weber, The Theory of Social and Economic Organizations, 1910.

Principles of Infocracies

- 1. Data supersedes policy and personal judgment.
- 2. Databases have responsibility.
- 3. Database interpreters have authority.
- 4. Obedience is to the data.
- 5. Interpreters are bound by data and understand it.
- 6. Interpreters link to other databases and are subject to those nodes.
- Infocratic cultures are non-defensive and data driven.
- 8. Infocracies are flatter and more egalitarian.
- 9. Feedback flows in all directions.
- 10. Fear of arbitrariness declines with trust in the data.

Jim Clawson, "The New Infocracies and their Implications for Leadership," Ivey Business Journal, May-June 2000

Leading Strategic Change

... is **choosing** to influence others to alter willingly their long-term competitive capabilities.

STRATEGIC THINKING

- Systems Perspective (Interconnections)
- Focus on Intent (Vision and Capabilities)
- Intelligent Opportunism (What's there?)
- Thinking in Time (Past, present, future)
- Hypothesis driven (If A, then B?)

Adapted from Jeanne Liedtka, Elements of Strategic Thinking

CONCLUSION

- What's your charter?
 Do you have a story to tell?
- What competitive advantage(s) will achieve your charter?
- Are you internally consistent?
- Nurture your revolutionaries.
- Create problems that build the future.
- Take the Leadership Point-of-View

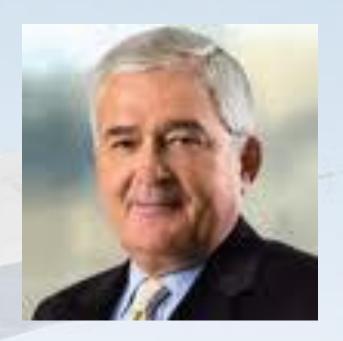
The world craves clarity ...

And most "strategic" conversations are fuzzy, misleading, and confusing...

Lou Gerstner on IBM's Transformation

"Lack of focus is the most common cause of corporate mediocrity."

-- Lou Gerstner, Who Says Elephants Can't Dance?



The leader's job is to create clarity out of confusion.
-- JGSC

Break



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Session 4

Leading Change in Self

John Wolford

Leading Change in Self John Wolford

- What percent of the people you've met would prefer to keep things pretty much as they are?
- Can people change?
- What keeps people from changing?
- Ever met, worked for, or been someone like John Wolford?

What are the problems here?

(LPV #1. Do you SEE what needs to be done?)

Lutz Boehm		
Got		

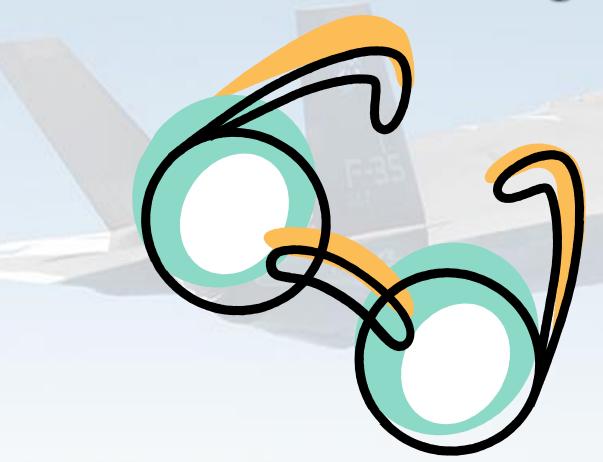
John Wolford		
Want	Got	

Work Associates		
Want	Got	

Family		
Got		

US:	
Want	Got

LPV #2: Do you understand? Lenses for Understanding Humans





Self Awareness: Beware your Blind Spots!

OTHERS

SEE

SEE

SEE

SELF

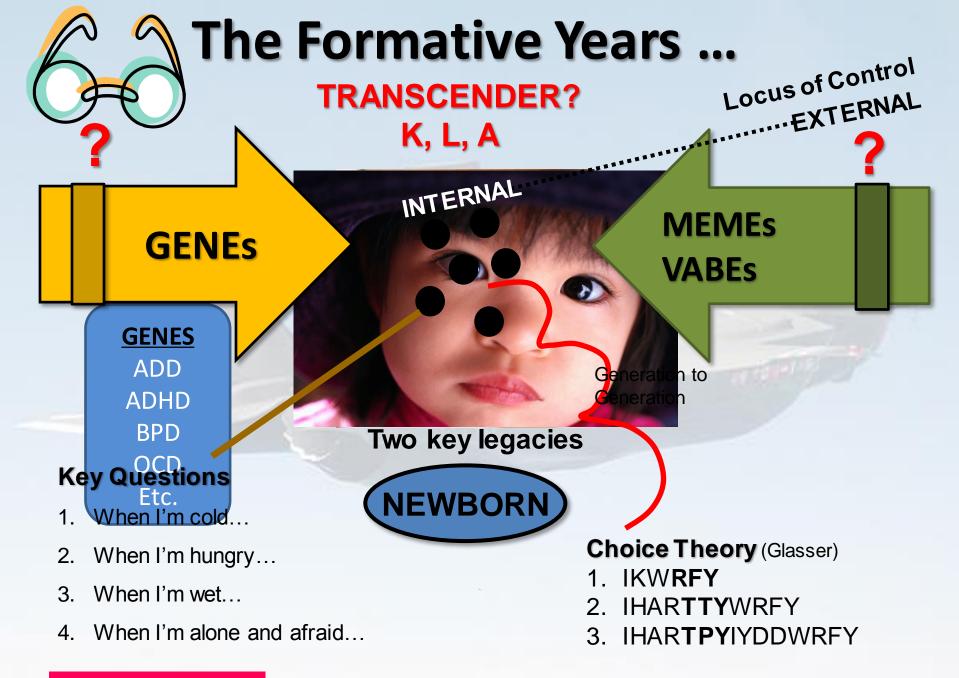


PUBLIC

BLIND SPOTS

PRIVATE







Behavioral Strata

- Genetics (hardware, hard wiring)
- Early Years (firmware)
- "Adult" Years (software)



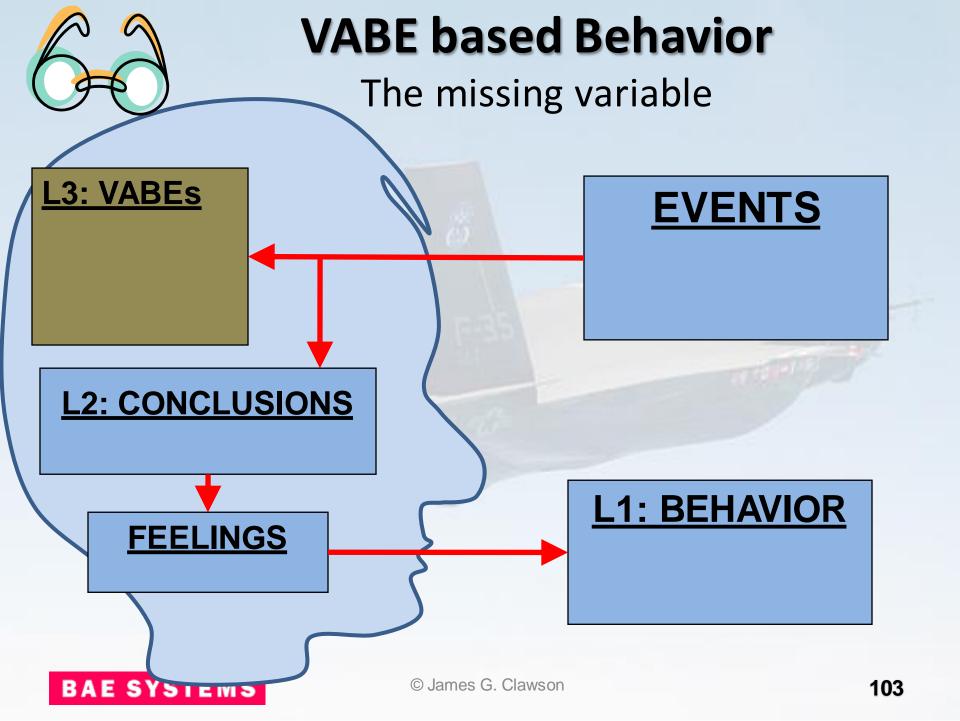
The Number One Question in Life



Will you ever be anything more than a vessel transmitting the GENEs and VABEs of previous generations on to the next?

When you're no longer a defenseless child, will you become a

transcender?

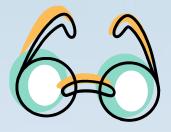


CAREER CONCEPTS and MOTIVES

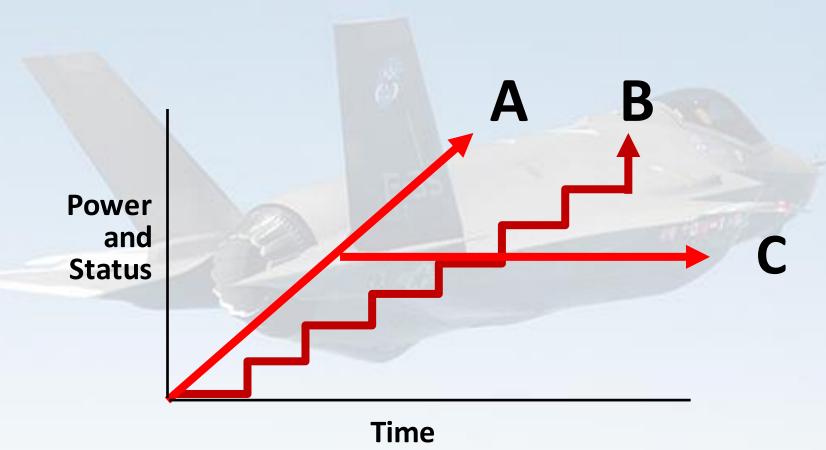
Developed by Mike Driver and Ken Brousseau @ USC



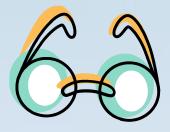




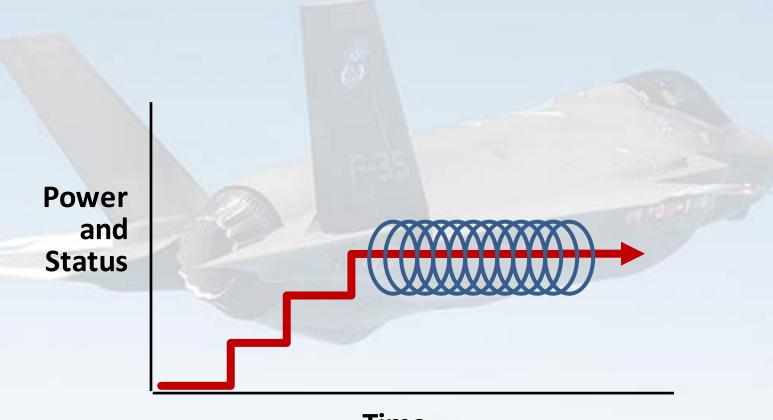
Linear





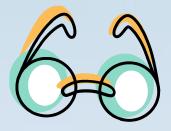


Technical Experts

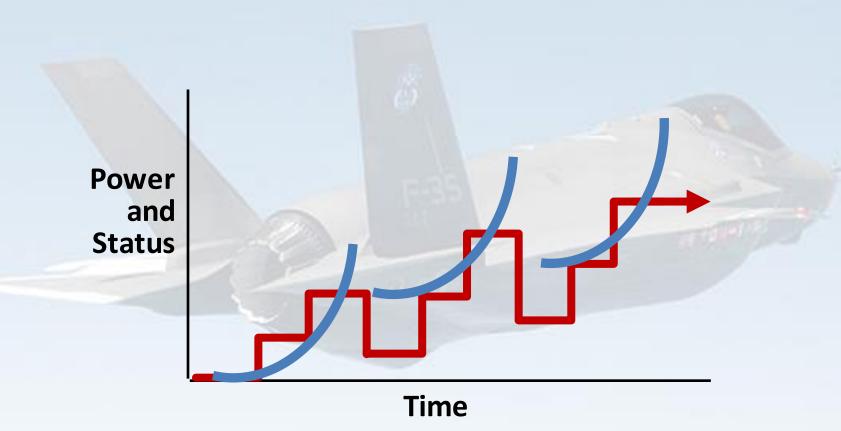


Time

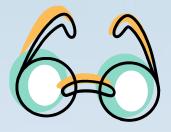




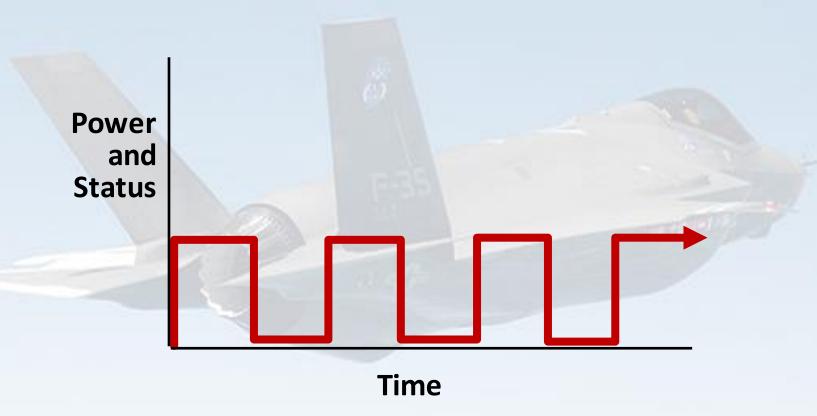
Spiral



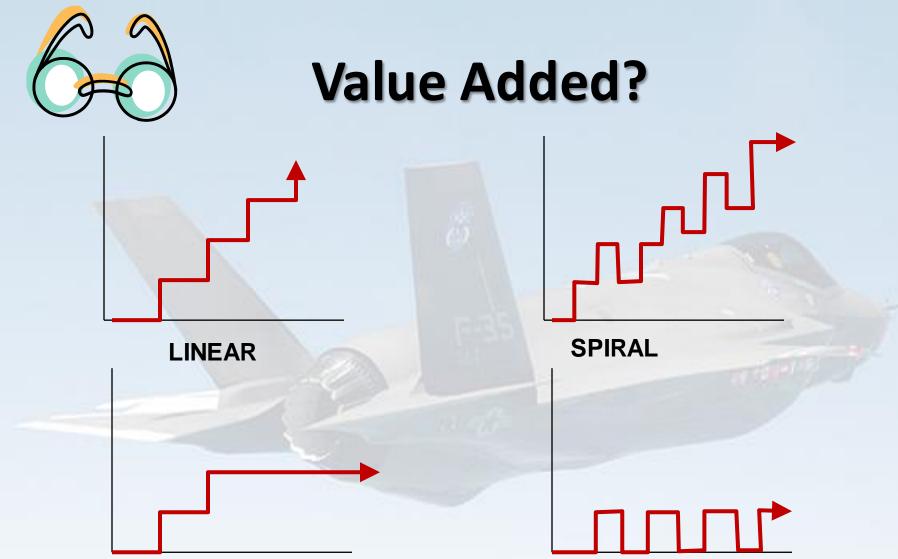




Transitory







STEADY STATE EXPERT



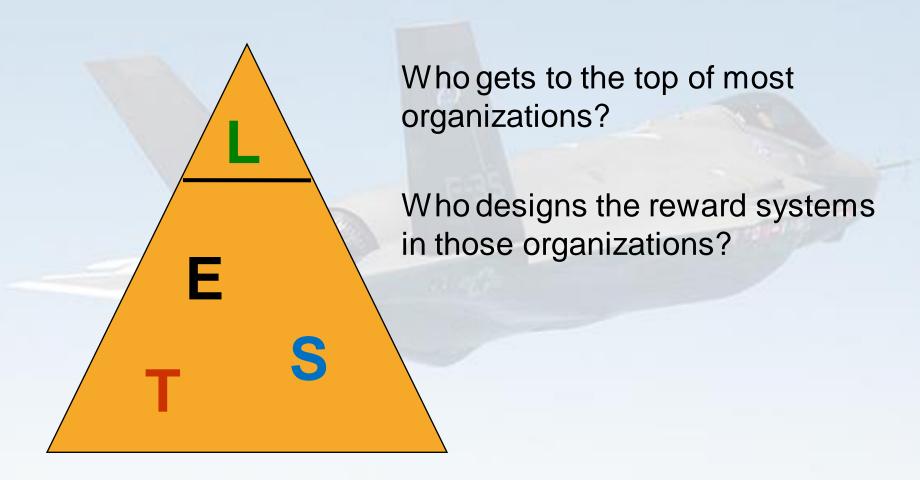
TRANSITORY

Some Fundamental Questions

- What is my main career concept?
- Am I allowed to live this in my organization?
- Am I making career decisions to match my personal career concept?
- Am I living inside-out?



Implications ...





Intellectual Intelligence (IQ)

- Genetically endowed
- Environmentally Encouraged
- Focus of Most School Work
- Processing Power
- **Curiosity**
- Discipline



Emotional Quotient (EQ)

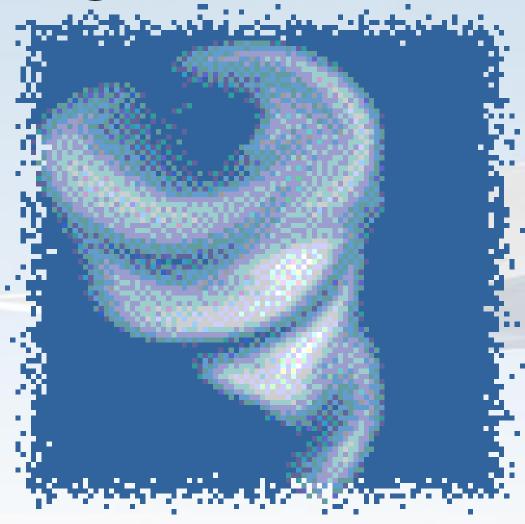
- Recognizing your own emotions
- Managing your Emotions
 - Self Talk to get out of Emotional Hijackings
- Paying Attention-Self Awareness

Adapted from Daniel Goleman, Emotional Intelligence, Bantam, New York, 1995





Emotional Hijackings



Anger Fear Depression Apathy



Social Quotient (SQ)

- Recognizing the emotions of others
- Empathy
- Caring
- Listening
- Skill in Coaching & Resolving Conflicts



- Recognizing the need to change
- Emotional comfort with change
- Understanding the Change Process
- Skills in Leading the Change Process

Common Questions People Ask about Being asked to Change

- What do you want me to do?
- Why do you want me to do it?
 (Am I motivated to do so?)
- Can I do it?
- What's in it for me?

Resistance to Change

- How many of you have employees that are not doing things you want them to do?
- Why don't they?
- How many of you have things that your boss wants you to do that you're not?
- Why?

Why People Resist Change

- Habit
- Comfort
- Waiting for others to set vision
- Logical models: "Right data will convince"
 - Why doesn't it?
- Too many cries of "Wolf!"
- Don't see the value or benefit
- Have no part to play

Good is the Enemy of Great

"Conversely, perpetuating mediocrity is an inherently depressing process and drains much more energy out of the pool than it puts back in.

. . .

'I want them to have a great experience, and to have the experience of being part of something absolutely first class."

Running Coach, p. 208

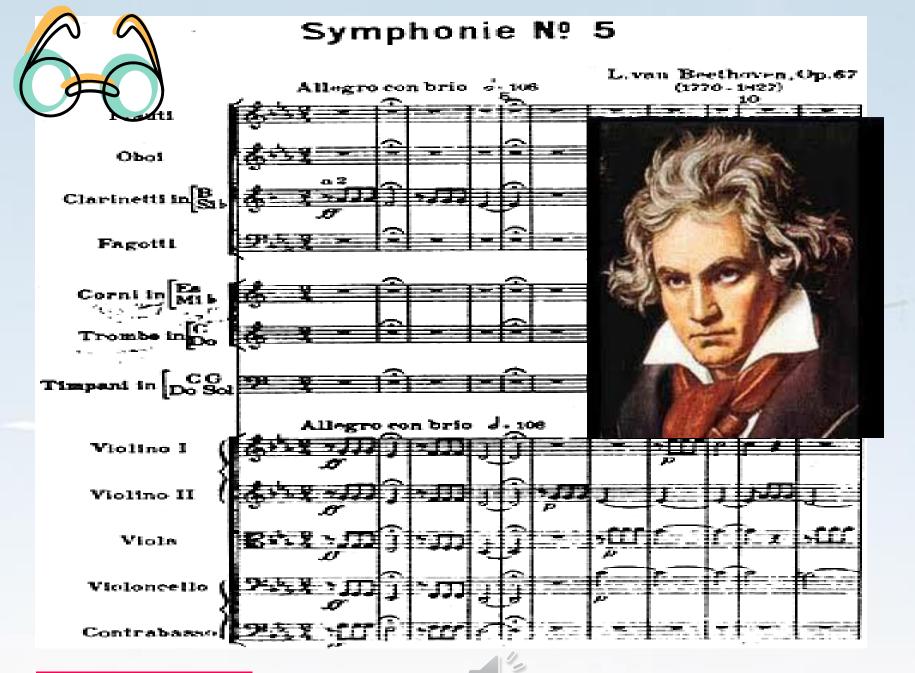
"WE TEACH WHAT WE TOLERATE." Marietta Frey



Balancing Your Life: Life is like a Symphony . . .

- Multiple Aspects
- Multiple Rhythms
- Different Movements
- Experienced all at once
- Can be coordinated and beautiful or disjointed and distressing











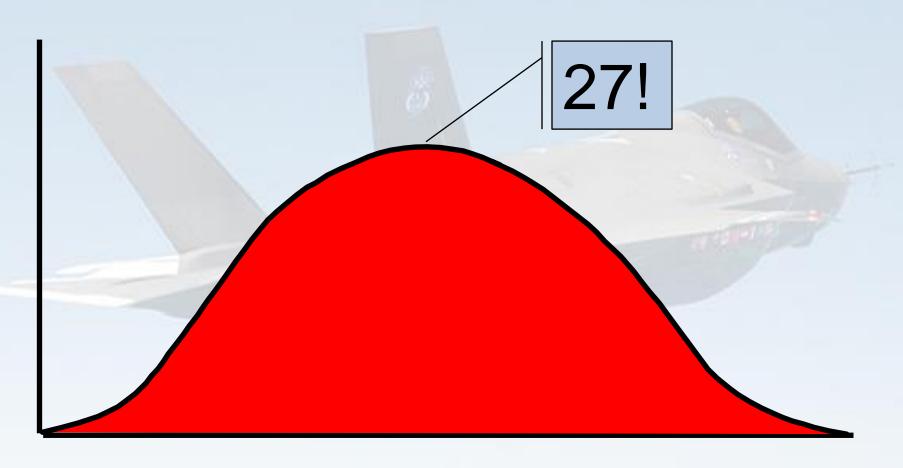
Consider the ...AL Aspects of Life

- Physical
- Intellectual
- Spiritual
- Emotional
- Professional
- Financial
- Material

- Organizational
- Political
- Familial
- Social
- Marital
- Sexual
- Parental



Physical Rhythm



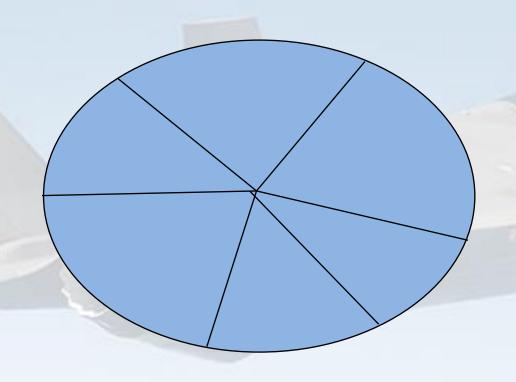


Fundamental Resources of Success

- Time
- Talent
- Energy
- Agency/Choice



Time Resource

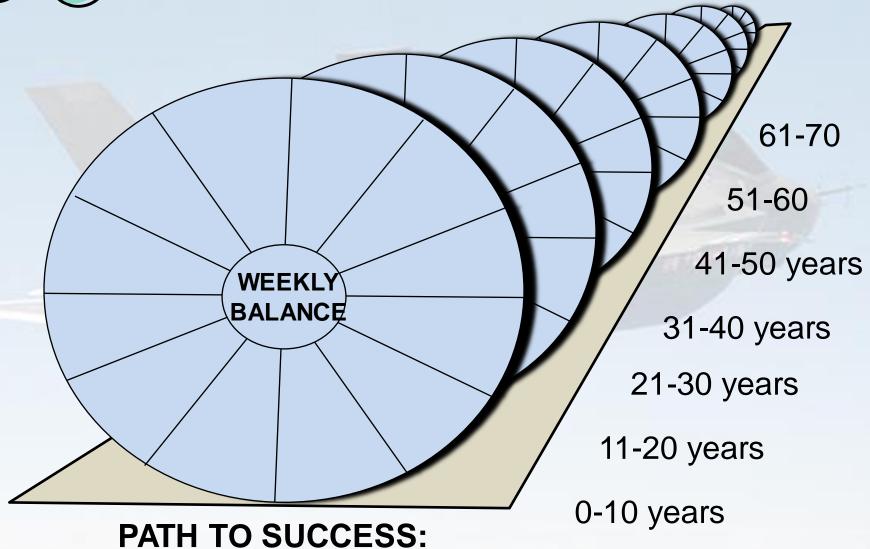


168 Hours a Week





Balancing Your Life



BAE SYSTEMS

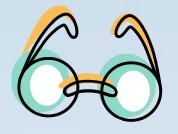
© James G. Clawson



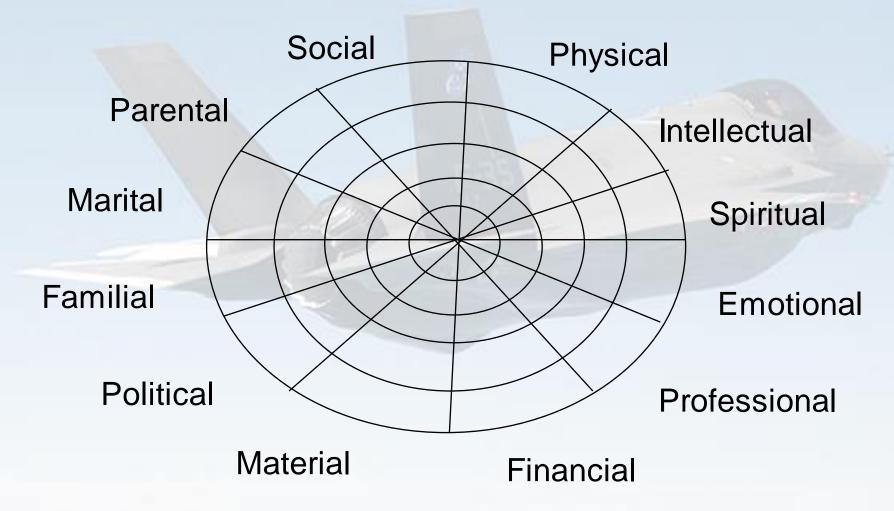
Excellence is a neurotic lifestyle.

Alex Horniman



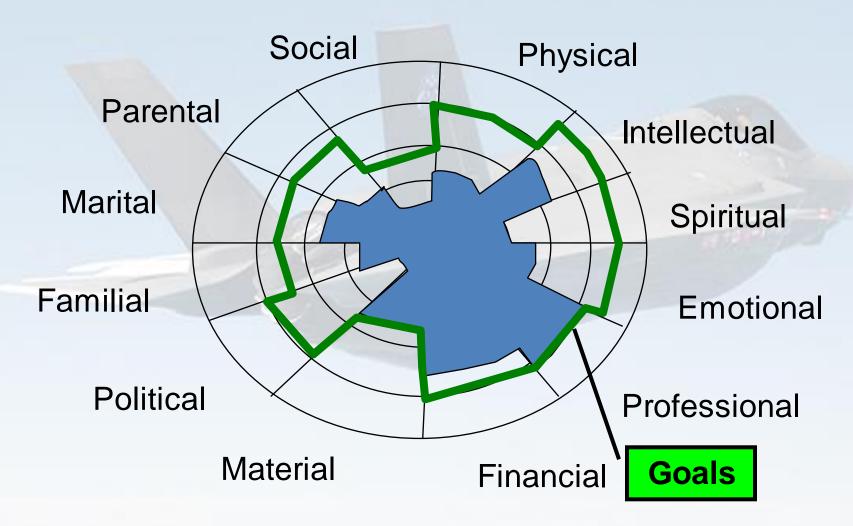


A Personal Developmental Balance Wheel



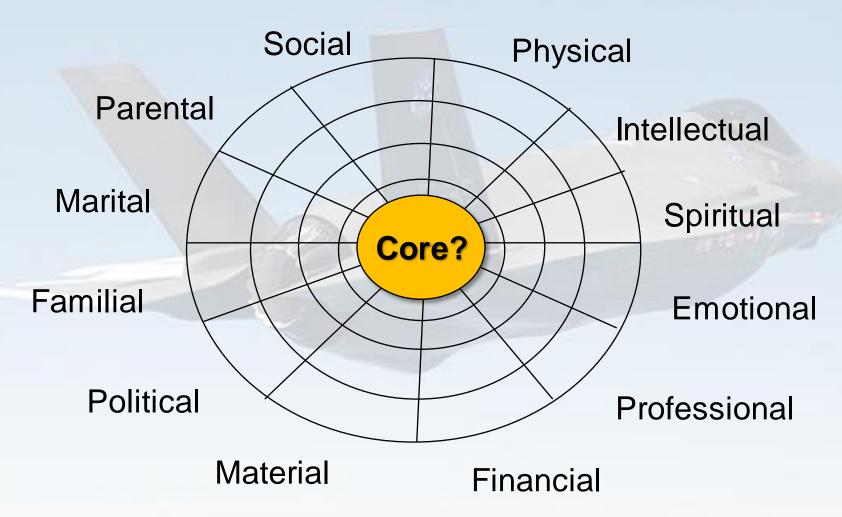


A Personal Developmental Balance Wheel





But, around what core? How do all these aspects balance out?





Does experience lead to wisdom?



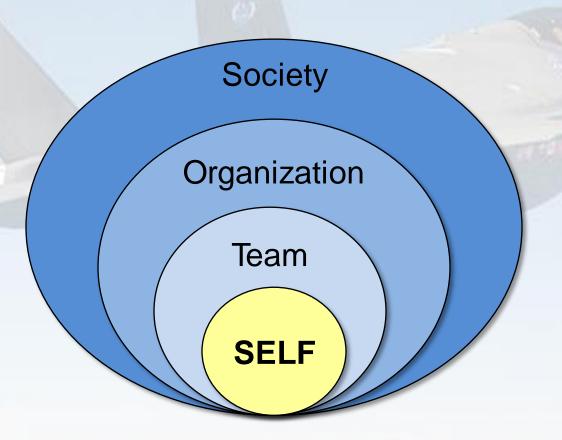
"Most people do not accumulate a body of experience. Most people go through life undergoing a series of happenings which pass through their systems undigested. Happenings become experiences when they are digested, when they are reflected on, related to general patterns, and synthesized."

Saul Alinsky, Rules for Radicals, quoted by Henry Mintzberg in "The Five Minds of a Manager" HBR 11/03

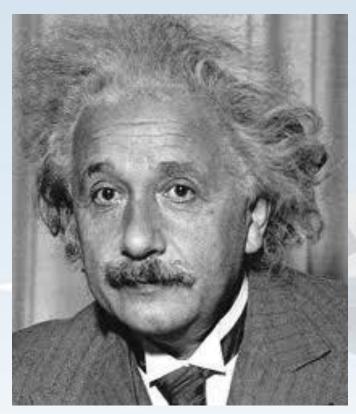
LPV 3. Courage to Act? What to do with John Wolford?

- 1. Observe and identify VABEs
- 2. Confirm VABEs with person
- 3. Explore validity of VABEs with person
- 4. Set probationary time period
- 5. Active coaching
- 6. If progress, continue; if not, make a change (cause = my weak coaching or his weak learning or both)

Can you change anything in the world "out there" without changing yourself first?



Insanity ...



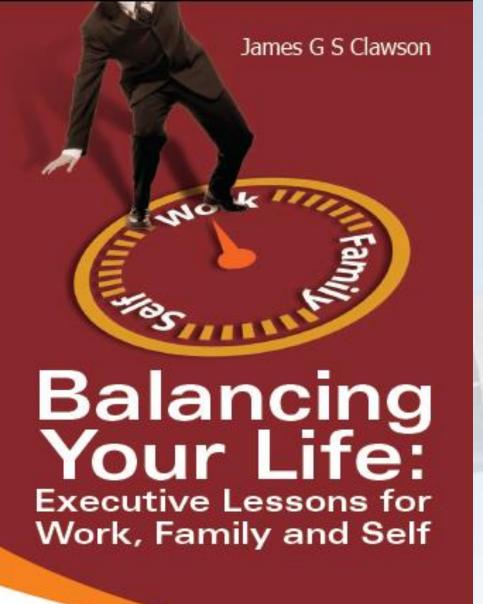
... is expecting different results while you continue doing the same thing.

Einstein/Alcoholics Anonymous

Leading Strategic Change Requires

- Vision (What do you see?)
- Understanding (Rigorous analysis)
- Courage (to initiate action)
- *****THE "LEADERSHIP POINT OF VIEW"





Are you leading your own life or living too much outside-in?





Break



Day Two

What stood out for you on Day One?



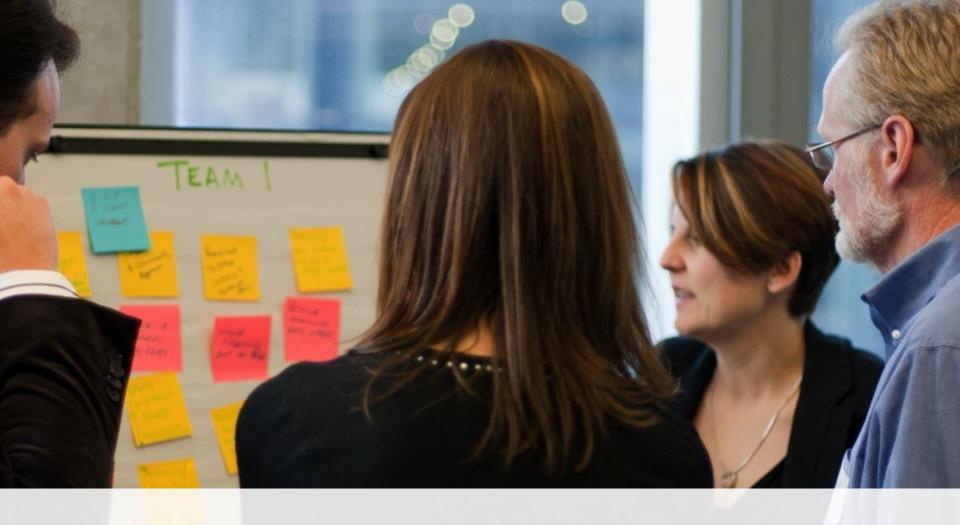
Sessions 5, 6 & 7

Leading Strategic Change

Global Tech Simulation

Our Global Tech Schedule: together ← → team cycles

TIME	Introduction	Together
	Interviews	Team
	Discussion	Together
	Planning Change	Team
	Lunch	As you wish
	Ready, set,	Together
	GO!	Team
	Debriefing	Together
	Round Two	Team
	Debriefing	Together
	Debriefing	Team
	Final Debrief	Together



Simulations by ExperiencePoint
Change Management & Innovation
Your Name



ExperiencePoint in 1 minute

- Founded in 1996; Toronto and Mountain View
- Used in over two-thirds of the top Executive Programs (Financial Times)
- We're global ... all 7 continents ... yes, Antartica, too!
- Over 25,000 experiences in 2012
- Our mission is to make experience a better teacher: accelerated, less risky, more focused.

experiencepoint









Organizations using Experience Point include

"The content comes from a cross Microsoft, S SAIC, Nexio Technologies **Technology** section of our partners through NOKIA, Sie iterations. From business schools, **Telecom** Johnson to consulting firms, to Fortune 50 **Medical/Pharma** US Navy Corporations to NFP's. The **Aerospace/ Defense** Original theory and simulation were Hospitality markedly different, and they were **Financial Services** born at Queen's School of Business circa 1996-ish. The case Retail is a fictionalized amalgamation of **Industrial / Mfg** Ha several change cases from **Not for Profit** corporations facing classic change **Government / Public** challenges. Over 50,000 leaders

ExperienceChange: GlobalTech

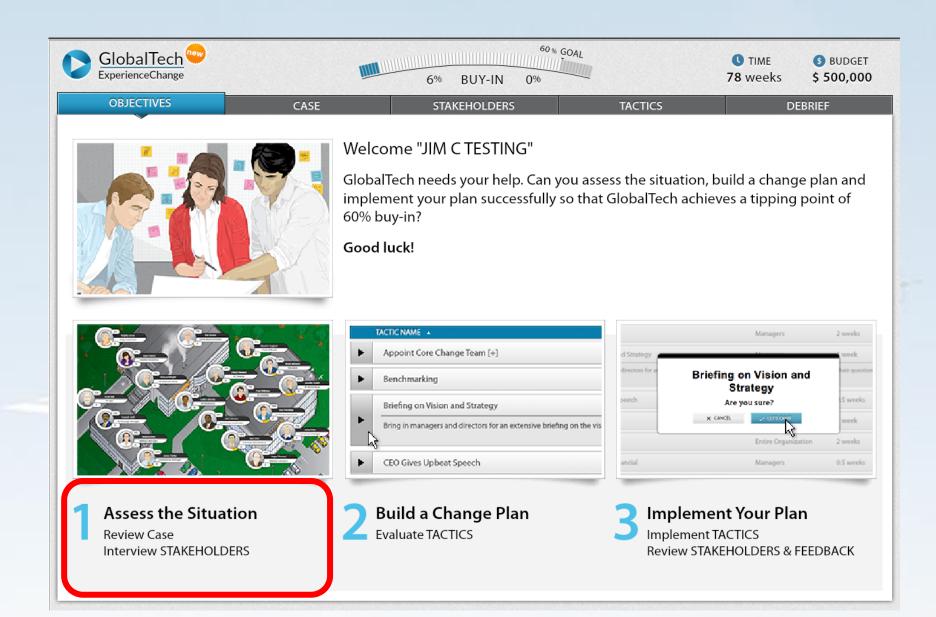
ExperienceChange is a simulation that enables leaders and managers to practice leading change in an intensive one-day team-based workshop.

In the GlobalTech case, participants play the role of change consultants challenged to help the company successfully implement a new strategy.

The goal is to build stakeholder commitment and achieve a tipping point of buy-in.













60_NGOAL BUY-IN

O TIME 78 weeks \$500,000

6 BUDGET

OBJECTIVES

CASE

TACTICS



We have exceptional departmental strength: we've got cutting-edge R&D, we've got high-quality Manufacturing, and recently, Sales and Marketing have improved. But our biggest liability? Communication between the teams. And when that doesn't work, all hell's going to break loose.

Brian Johnson President & CEO

GOODBYE

Company History

Consultants

The Problem

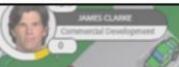
The Solution

Thoughts on Teams

Obstacles to Change

Supporters of Change

Your Future Plans







Diagnosis: Stakeholder Interviews

Category	Name	Title	Resister	Bystander	Helper	Champion
Administration	Maurice Gagnon	Chair of the Board			√	
	BrianJohnson	President & CEO		,	•	
	Jennifer Smith	VP Technology		√		
	Guy Tremblay	VP Human Resources	√			
	Ann Price	Personnel Manager			√	_
	Cheryl Stewart	VP Finance	2.278			√
	Fred Williams	Account Manager		√		
Marketing	Catherine Lalonde	VP Marketing				
	John Simons	Marketing Coordinator	√			
	Roger Thomas	Military Market Manager				
	Sam Seto	Commercial Market Manager				
Manufacturing	Richard Wright	VP Manufacturing				
	Ralphy Jones	Shop Supervisor				
	Jane Cowan	Quality Assurance Manager				
	Rob Brown	Union Representative				
Research & Development	Scott Bell	VP Research & Development				
	Ganesh Seth	TechnologyManager				
	Seanna Grey	MilitaryDevelopment				
	James Clarke	Commercial Development				

Return to Joint Session



Report Stakeholders' Interviews

BAE SYSTEMS		BAES GLOBAL TECH RACE							
TEAM #	CHAMPIONS	HELPERS	BYSTANDERS	RESISTORS	10' #Ds/BI%	20' #Ds/BI%	30' #Ds/BI%	Finished	SCORE
ROUND ONE									









OBJECTIVES CASE	STAKEHOLDERS	TACTICS	DEBRIEF
TACTIC NAME .	AUDIENCE	TIME	COST
Appoint Core Change Team 🌟	Entire Organization	3 weeks	\$ 40,000
Build a project team to lead and coordinate the chan	ge process.		
Benchmarking	Managers	2 weeks	\$ 2,000
Briefing on Vision and Strategy	Managers	1 week	\$ 2,000
CEO Gives Upbeat Speech	Entire Organization	0.5 weeks	\$ 500
Celebrate Successes	Entire Organization	1 week	\$ 2,000
Competitive	Entire Organization	2 weeks	\$ 2,000
Competitive and Financial	Managers	0.5 weeks	\$ 1,000
Constant Repetition of Vision	Entire Organization	2 weeks	\$ 5,000
Core Change Team Presentations	Entire Organization	2 weeks	\$ 5,000
Cost Rationalization	Entire Organization	4 weeks	\$ 5,000

BAE SYSTEMS





OBJECTIVES CASE	STAKEHOLDERS	TACTICS	DEBRIEF
TACTIC NAME .	AUDIENCE	TIME	COST
Appoint Core Change Team 🌟	Entire Organization	3 weeks	\$ 40,000
Benchmarking	Managers	2 weeks	\$ 2,000
Arrange for senior managers to tour several local	al organizations who have been successful comme	rcializing new technologies	5.
	Don shoorking		
Briefing on Vision and Strategy	Benchmarking	week	\$ 2,000
CEO Gives Upbeat Speech	Are you sure?	.5 weeks	\$ 500
Celebrate Successes	X CANCEL ✓ LET'S DO IT	week	\$ 2,000
Competitive	Entire Organization	2 weeks	\$ 2,000
Competitive and Financial	Managers	0.5 weeks	\$ 1,000
Constant Repetition of Vision	Entire Organization	2 weeks	\$ 5,000
Core Change Team Presentations	Entire Organization	2 weeks	\$ 5,000
Cost Rationalization	Entire Organization	4 weeks	\$ 5,000

BAE SYSTEMS

Return to Joint Session





Team Session 3: IMPLEMENTATION: tactics ONE at a time



OBJECTIVES

CASE

STAKEHOLDERS

TACTICS

DEBRIEF



What a waste of time! Pulling me out of the lab for a couple of days while we go on a glorified school trip. You're here to help us get our products to market faster, and now I find myself another week behind. To make matters worse, you've gone and got everyone all excited about how teams are helping these other companies. They're fooling themselves if they think that cross-functional development teams are going to help us here. I, for one, am not convinced!

DONE











STAKEHOLDERS OBJECTIVES DEBRIEF CASE **TACTICS ROB BROWN** Union Representative Line Supervisor MAURICE GAGNON Chair of Board JANE COWAN Quality Assurance **BRIAN JOHNSON** President & CEO CHERYL STEWART VP Finance RICHARD WRIGHT VP Manufacturing JENNIFER SMITH VP Technology FRED WILLIAMS Accounts Manger SCOTT BELL CATHY LALONDE VP R&D VP Sales & Marketing **GUYTREMBLAY** VP Human Resources JOHN SIMONS Technology Manager Marketing Manager ANNE PRICE HR Manager GINNY LEE SAM SETO Military Development Commercial Sales JAMES CLARKE ROGERTHOMAS Commercial Development Military Sales





Return to Joint Session

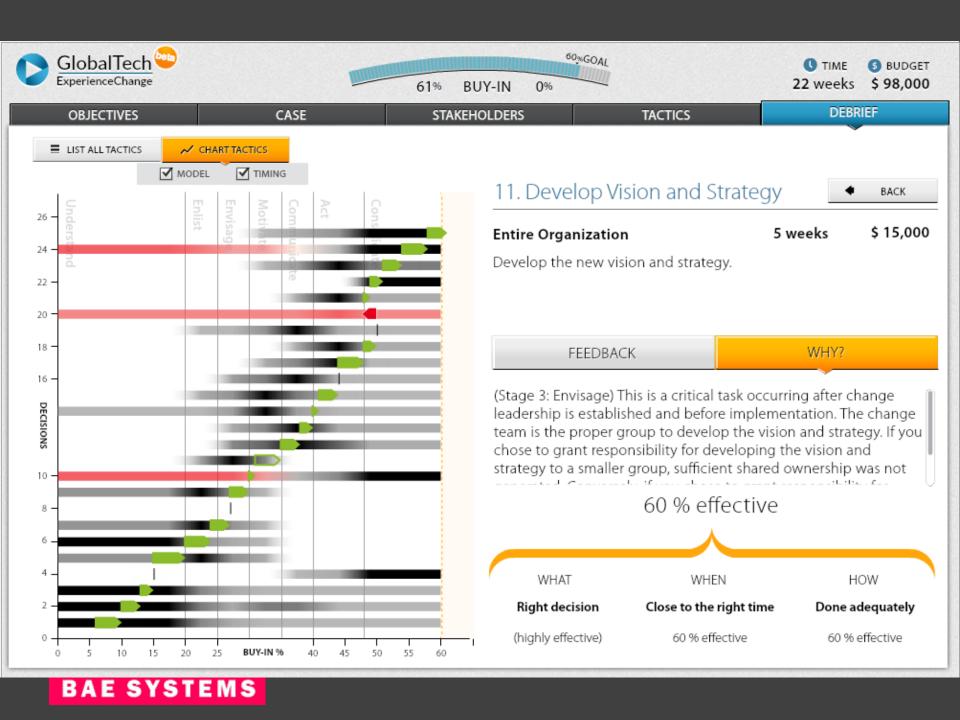


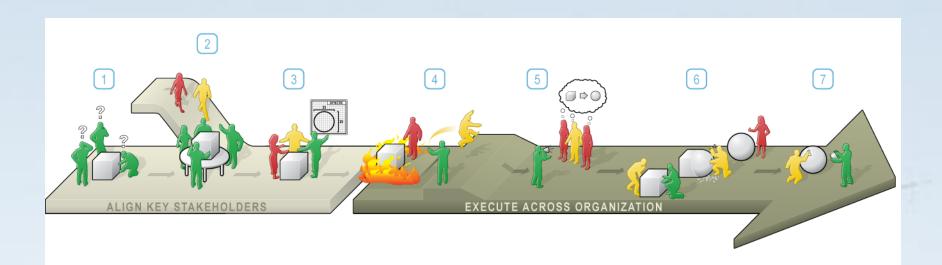




TIME \$ BUDGET22 weeks \$ 98,000







1. UNDERSTAND

Understand the need for change through continuous environmental scanning and organizational diagnosis.

2. ENLIST

Enlist the support of a core team of powerful stakeholders. Work with this team to develop a shared vision and strategy to roll out across the

3. ENVISAGE

Build a vision of the desired state and a strategy for getting there.

4. MOTIVATE

Create a sense of urgency. Help stakeholders understand the organizational and personal implications of the status quo.

5. COMMUNICATE

Communicate the vision to affected stakeholders. Paint a picture of the future.

6. ACT

Take steps to align the formal organization (systems, structures and processes) with the new vision and strategy.

7. CONSOLIDATE

Through continuous monitoring and measurement, understand and make further improvements until the change becomes part of the organization's culture.

© ExperiencePoint Inc.

Leadership Score

The Leadership Score is a score out of 1000 that Captures your performance in the simulation.

- Effort (max 500 points) Points are based on how close you get to the objective
- Success (250 point bonus) Bonus points are received for reaching the objective
- Effectiveness (max 250 points) Points are based on the overall effectiveness of your decisions

Team Session 6: DEBRIEFING



- 1. Change Theory
 - 3 things to use/remember?
- Group Process & Team Dynamics
 - 3 things we did well
 - 3 things we could improve
- 3. Application
 - 3 ways or places we could use what we have learned/practiced today

Return to Joint Session



What was this simulation about?

- Clarifying your own implicit change model
- Modifying that implicit change model
- Building team management and "membership" skills
- Practicing watching process as well as results
- Deepening your understanding of the Change Process
- Planning to apply new skills to your current and future change efforts
- Becoming a "Change Master"

• Remember Bob Johnson, "Change Master" clip

Instructions for first session

- 1. Verify that your computer is "simulation-ready" by visiting http://login.experiencepoint.com/ep/test. This site will strongly recommend using Mozilla Firefox as the browser for the simulation. The instructions for installing Firefox are available when you follow the link provided.
- 2. Read the materials for the simulation:
 - Case Study
- 3. Launch the simulation: http://login.experiencepoint.com/ep/test to play a new game
- **4. Name the game** with a team name, select difficulty level "change consultant".
- 5. Click "Analyze: Interview Stakeholders"
- 6. Select the individuals you want to interview, and keep notes on their responses.
- 7. Decide which of these people are (a) champions, (b) helpers, (c) bystanders, and (d) resisters.

Day Three What stood out for you on Day Two?

Session 8

Managing Change from the Middle

John Smithers at Sigtek

Session 9

Leading Large-Scale
Organizational Change

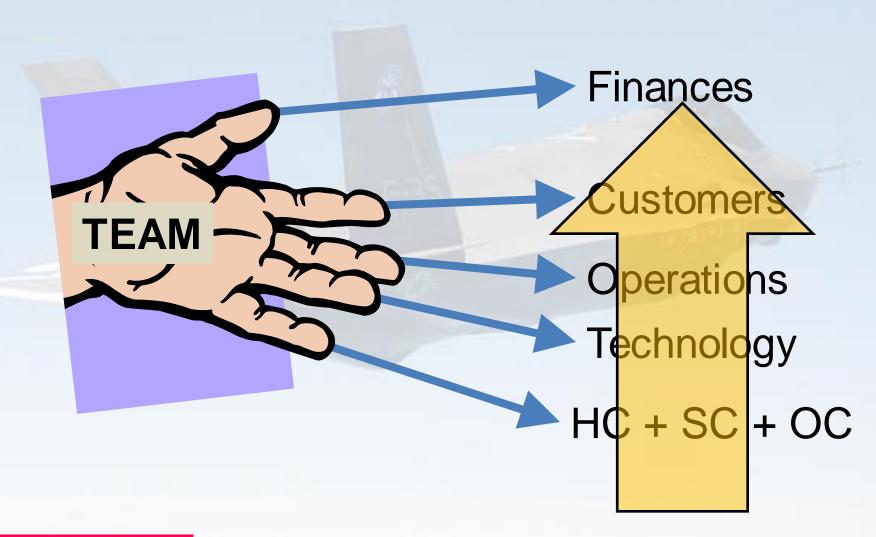
Chicago Park District A



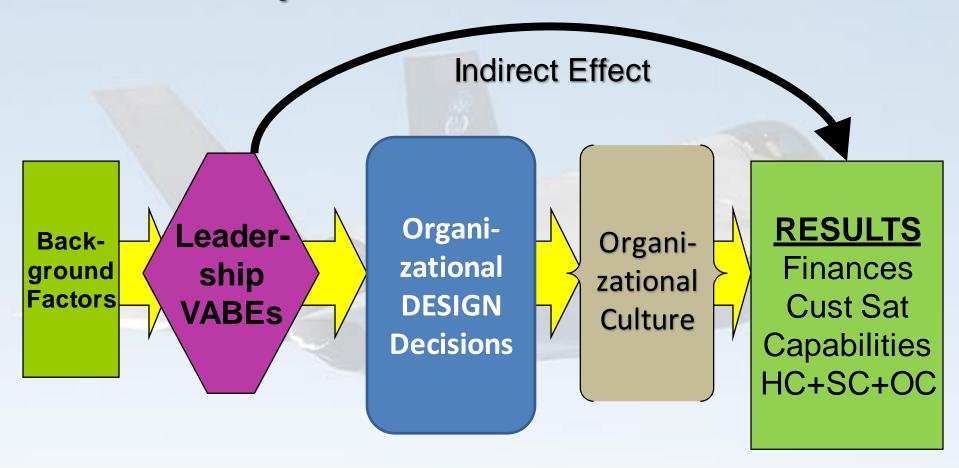
Key Leadership Initiatives

1. Who are 3. Can you 2. What's you? "sell" your Your "story?" story? LEADER Developing (traits) Strategic Thinking Influence Designing **STRATEGY OTHERS** (employees) (priorities) **ORGANI-ZATION** 4. Does your organization (design) 5. Can you help or hinder? lead change to keep up? **BAE SYSTEMS** © James G. Clawson 182

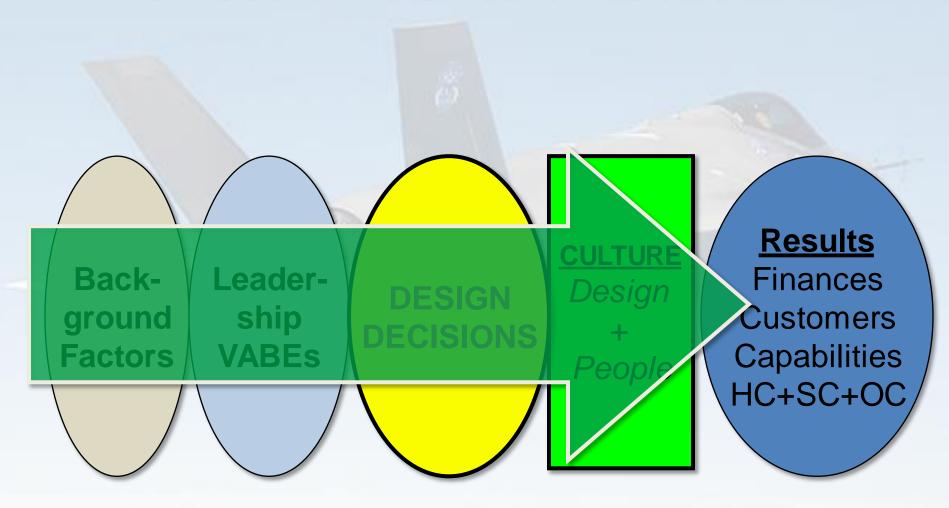
What's your "take charge" map?



Leadership's Indirect Effect on Results



Indirect Influence on Outcomes



The Language of Leadership

- Your job is to clarify
- Replace your "buts" with "ands."
- Speak in the first, not second, person.
- Don't disguise your opinions as questions.
- Make invitations rather than giving orders. (allows choice)
- Pay attention to the "buy-in" level below the surface.
- · Be clear, memorable, authentic, respectful



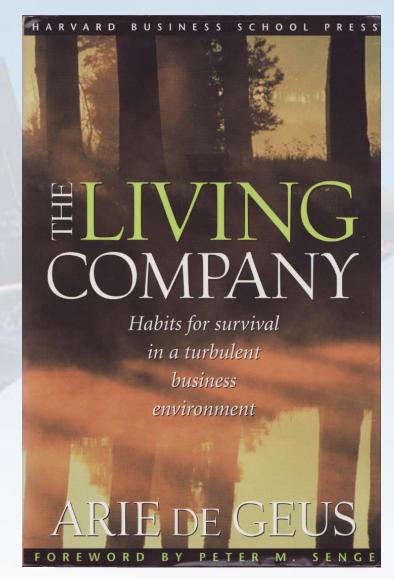
CULTURE EATS STRATEGY FOR BREAKFAST!



Importance of Learning

The only real source of competitive advantage may be the capacity to learn.

Arie de Geus, *The Living Company*



Investment Opportunity?

- Commodity Business
- Competition everywhere
- Low tech
- 12-14 hour days
- High School dropouts
- On your feet all day
- Smelly

Another kind of design...



Organizing for Energy FISH! Principles

Play
Make Their Day
Be There
Choose Your Attitude

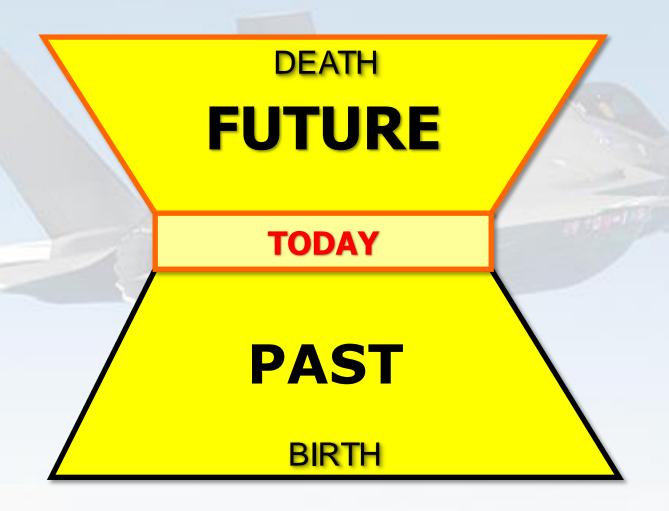
Examples of High Energy Companies

- Pike's Place Fish Market, 12 emps, fish sales.
- BAES Aberdeen plant, 120 emps, missile cannisters
- SAS Institute, 3,000 emps, software
- Southwest Airlines, 30,000 emps, airline
- Google, 10,000 emps (?) undisclosed, web services, largest computer company ever, \$619B as of 8/12.

Session 11. Level Three Change



Time Cone



Looking ahead: What organizations will you be called on to lead?



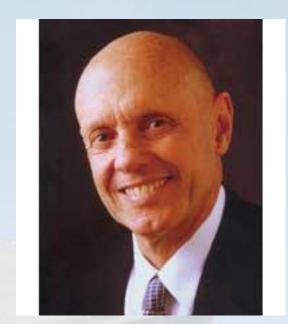
Looking back: What are your core leadership principles?



Covey's Seven (+1) Habits

- 1. Be Proactive
- 2. Begin with the End in Mind
- 3. Put First Things First
- 4. Think Win/Win
- 5. Seek First to Understand
- 6. Synergize
- 7. Sharpen the Saw
- 8. Find Your Voice

Seven Habits of Highly Effective People, Stephen Covey, Simon and Schuster, 1989.



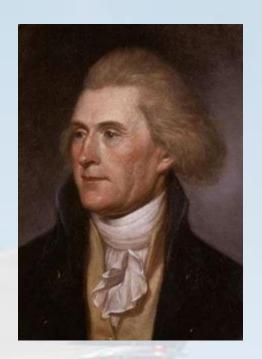
Jack Welch's Operating Principles

- Control Your Destiny or Someone Else Will
- Face Reality as it is, not as it was or as you wish it were
- Be candid with everyone
- Don't manage, lead
- Change before you have to
- If you don't have a competitive advantage, don't compete

Control Your Destiny or Someone Else Will, Noel Tichy and Stratford Sherman, HarperBusiness, 1993.

Thomas Jefferson's Ten Commandments

- 1. Never put off until tomorrow what you can do today.
- 2. Never trouble another for what you can do for yourself.
- 3. Never spend your money before you have earned it.
- 4. Never buy what you don't want because it is cheap.
- 5. Pride costs more than hunger, thirst, and cold.
- 6. We seldom repent of having eaten too little.
- 7. Nothing is troublesome that we do willingly.
- 8. How much pain the evils have cost us that never happened.
- 9. Take things always by the smooth handle.
- 10. When angry, count 10 before you speak; if very angry, count 100.



An Exercise



Levels of Human Activity

1. Visible Behavior

2. Conscious Thought

3. VABEs

Chamberlain's L3 Approach

Leadership Technique and Consequence

1. Level One Techniques:

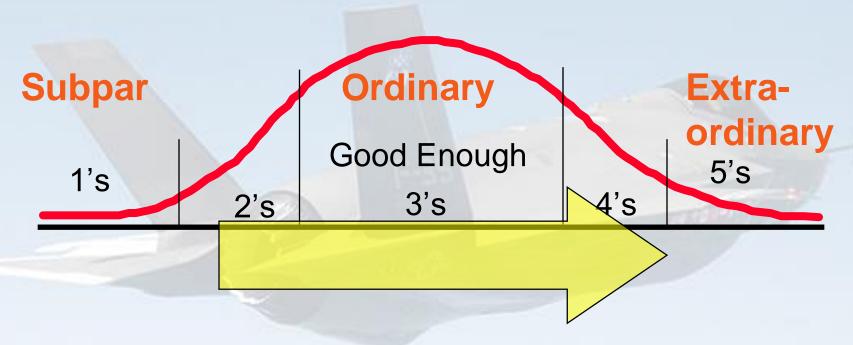
Pay, rewards, punishments, threats, coercion, intimidation

- 2. Level Two Techniques: logic, data, evidence, reason, statistics, charts, analysis
- **3. Level Three Techniques:** vision, purpose, values, stories, music, symbols, strategy, TPOV

BUY-IN

- 1. Passion
- 2. Engagement
- 3. Agreement
- 4. Compliance
- 5. Apathy
- 6. Passive Resistance
- 7. Active Resistance

In search of high performance

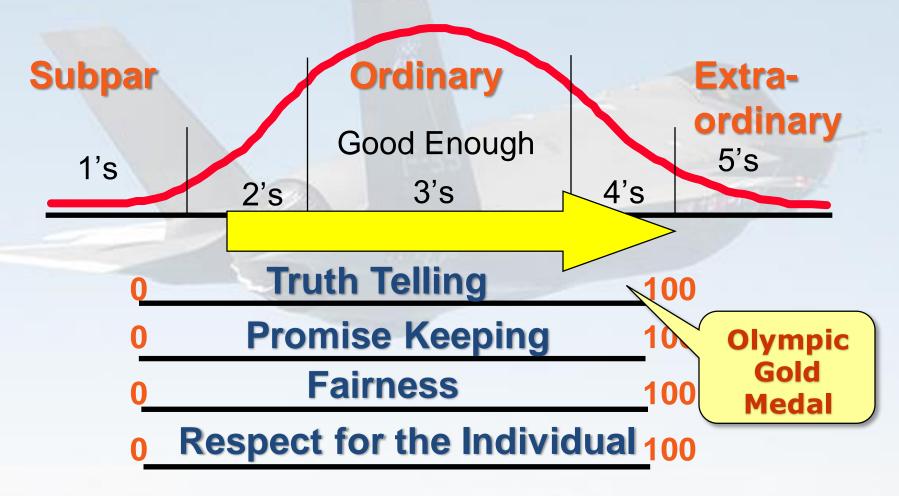


How do you shift this distribution?

Traditional Leadership Technique

- Planning
- Organizing
- Motivating
- Controlling
- Goal Setting
- Performance Reviews
- Reward Systems and Incentives ...

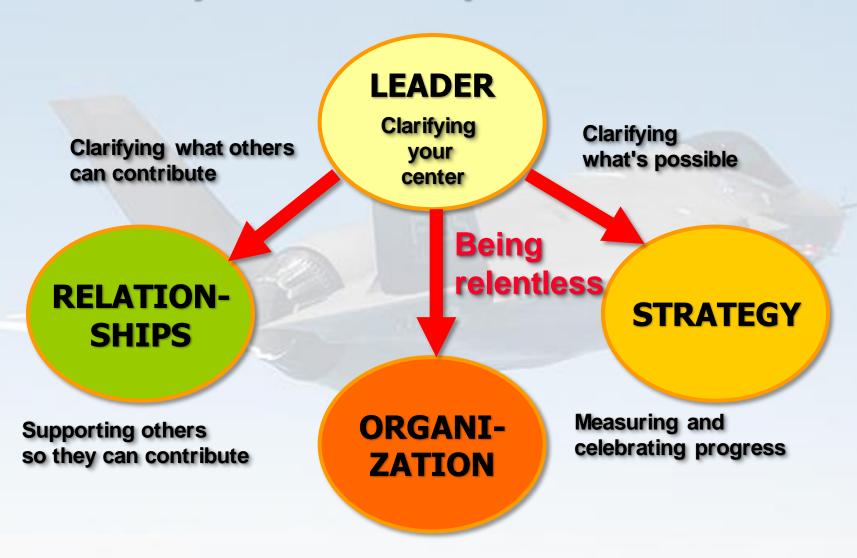
The Moral Foundation of Extraordinary Performance



Six Steps to Effective Leadership

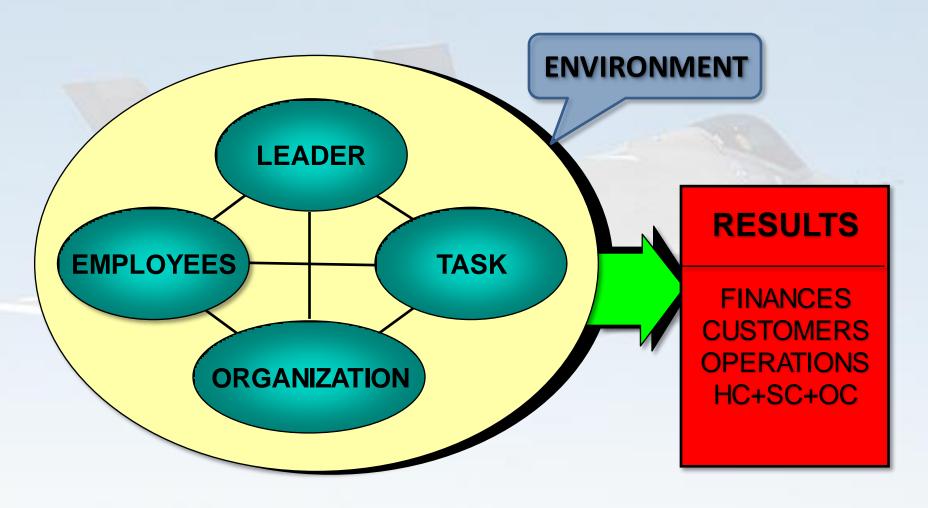
- 1. Clarifying your center
- 2. Clarifying what's possible
- 3. Clarifying what others can contribute
- 4. Supporting others so they can contribute
- 5. Being relentless
- 6. Measuring and celebrating progress

Key Leadership Initiatives



BAE SYSTEMS 208

Elements in Effective Leadership



Power

is the ability to get others to do what you want them to do.

Leadership is ...

- 1. The ability to influence others, and
- 2. The willingness to influence others,
- 3. So that they respond voluntarily.

LEADERSHIP POINT OF VIEW

- 1. See what needs to be done
- 2. Understand the situation thoroughly
- 3. Courage to Act to make it better

Leadership Technique and Consequence

1. Level One Techniques:

Pay, rewards, punishments, threats, coercion, intimidation

- 2. Level Two Techniques: logic, data, evidence, reason, statistics, charts, analysis
- **3. Level Three Techniques:** vision, purpose, values, stories, music, symbols, strategy, TPOV

BUY-IN

- 1. Passion
- 2. Engagement
- 3. Agreement
- 4. Compliance
- 5. Apathy
- 6. Passive Resistance
- 7. Active Resistance

Levels of LEADING

SOCIETAL

ORGANIZATIONAL

WORK GROUP/PROGRAM

PERSONAL-- INDIVIDUAL

Session 12

A Career Leading Change

Bob Johnson at Honeywell Aerospace

Session 13

Aspirations and Conclusions

Leveraging Exercises

Can you lever the program to rise above your historical habits?

- 1. Letter to Self
 - 1. What did I learn this week? Memorable ideas.
 - 2. What three things am I going to change?
- 2. Buddy Support
- 3. Public Declaration

Some additional resources ...

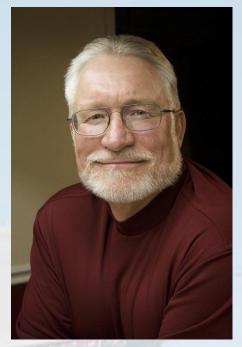
- 1. Slide Deck/Graphic "novel"
- Course Portal: http://www.wsbe.unh.edu/change-leadership.
- 3. Recommended Bibliography on my website or *L3L5e* on page 420.
- 4. My website (or just Google "James Clawson") for Balance Wheel, etc.: http://faculty.darden.virginia.edu/clawsonj/
- 5. Book(s): *L3L*,
 - 1. Powered by Feel: how individuals, teams and companies excel, World Scientific, 2009
 - 2. Balancing Your Life: executive lessons for work, family and self.
- 6. E-mail me as you wish. JimClawson@virginia.edu.

A Concluding Thought

You cannot change the world around you, you can only change the way you deal with the world around you.

Change begins with you.

Closing Comment







GRADUATION







APPENDIX ADDITIONAL RELATED CONCEPTS



Power is the ability to get others to do what you want them to do.

Leadership is about the ability to influence others, the willingness to influence others, and in a way that they buy-in *voluntarily*.

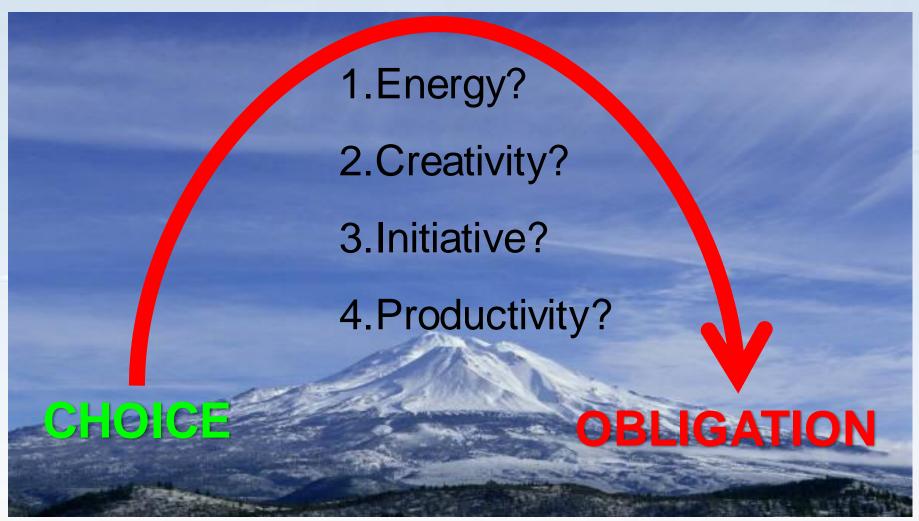
Leadership is about managing energy, first in yourself and then in others.

Does how you feel affect your performance?

- Then, how many times in your career have you been asked how you WANT to feel?
- Do you even know how you want to feel?
- How does choice vs. obligation affect feel and motivation?

What happens when a person crosses the divide between choice and obligation?

Up, flat or down?



The obligatory commute ...



Energy level is contagious...

- Mood contagion research growing, strongest person in the room affects everyone, for better or worse.
- Are you a net energy contributor or a net energy sucker?

What things affect your energy level?

Energizers

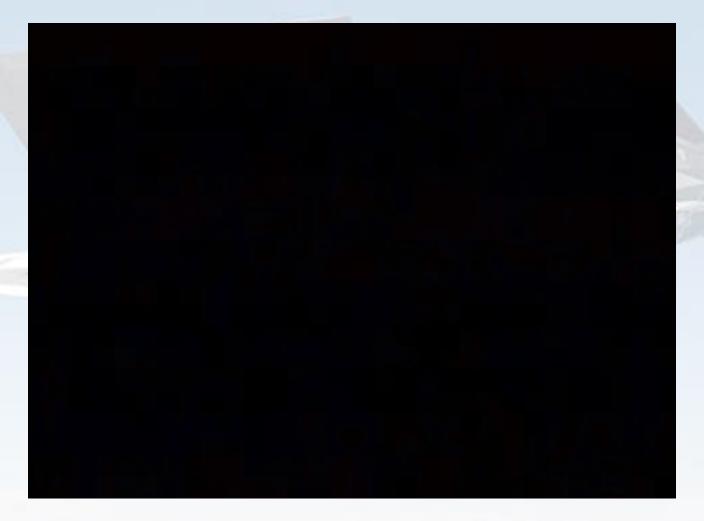
Drainers

•

How do you want to feel?



You think this penguin thing is overstated?



Have you ever been in FLOW? When ...

- Time warps (slow or fast)
- Lose sense of self
- Intense focus
- Perform at highest level
- Seems effortless (flow)
- Internally satisfying
- Regain larger sense of self

Adapted from FLOW by Mihalyi Csikszentmihalyi

What do you think of Flow ...

- It seems to come from a variety of sources
- But can you repeat it regularly or is it "unmanageable?"
- Could you design it into your life?
- More importantly, what if it were in you, that is, what if you could transport it from one activity to another?

Study of World Class Performers

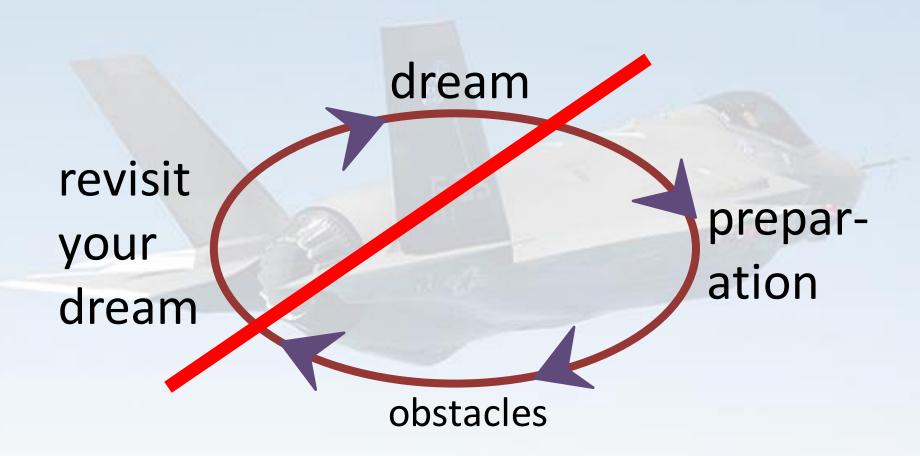
NEWBURG'S CAREER SAMPLES

- World Class Athletes
- Touring Musicians
- Heart Surgeons
- Extraordinary Executives
- Warriors/Naval Aviators

550 World Class Performers



The Resonance Model





"When people come to work, it's important that they be connected to a dream."

Bill Gates, Fortune, 1/26/04, p. 124

External dream (do, be) or Internal dream (feel, flow)?

Focusing on Feel to Perform Dave Scott

49, Six-time Ironman Hawaii Champion

"During a race, I never wear a wristwatch, and my bike doesn't have a speedometer. They're distractions.



All I work on is finding a rhythm that feels strong and sticking to it."

Outside, 9/03, p. 122

Does how you *feel* affect your performance?

- How many times have you been asked by supervision at work how you want to feel?
- How do you WANT to feel?
- The pervasive management assumption:



• This is a formula for mediocrity.

What's the difference between "work" and a "job?"



"I stopped loving golf at exactly the time I decided to turn pro."

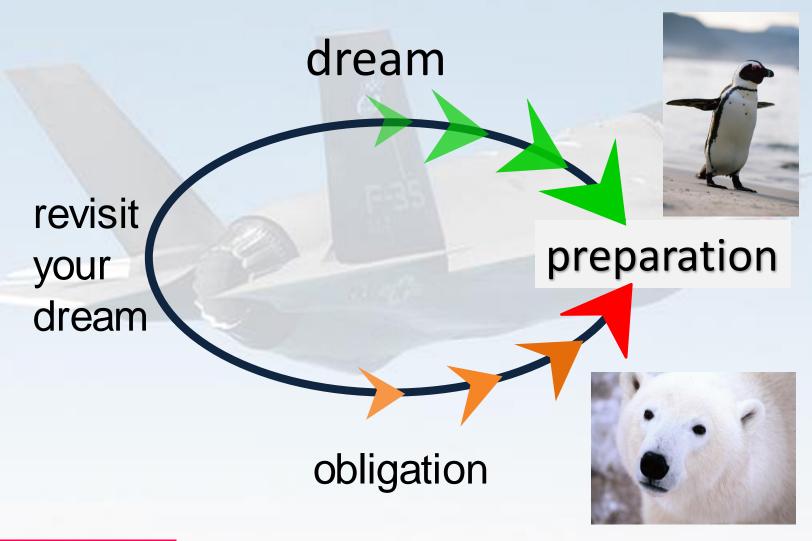
- Tom Weiskopf, Golf, July 2004, p. 133

People pay me a lot of money to go away from my family, stay in cheap motels, ride on the bus all night, and eat rubber chicken. But when the curtain goes up and the light on the camera goes on, THAT I do for free.

- John Molo, Grammy winning musician



How do you approach your work?

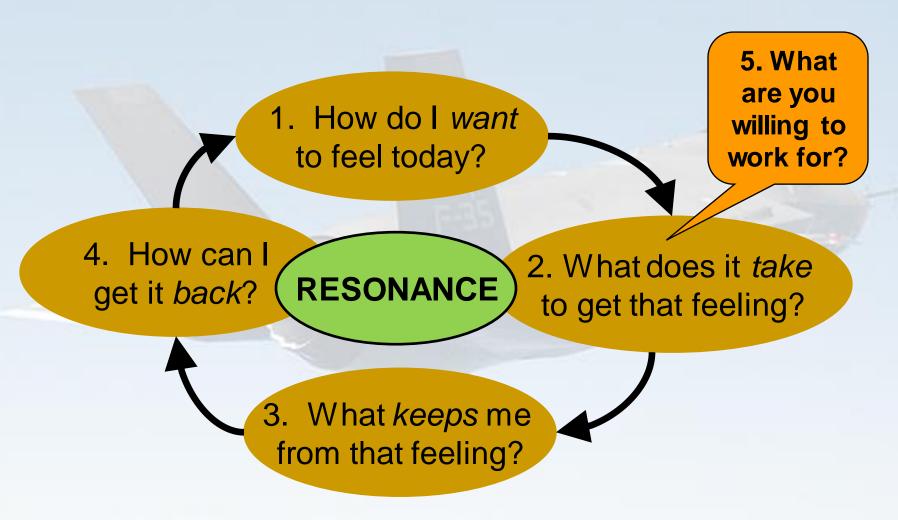


The Pursuit of Excellence

"Excellence is attained by those who care more than others think is wise, who risk more than others think is safe, who dream more than others think is practical."

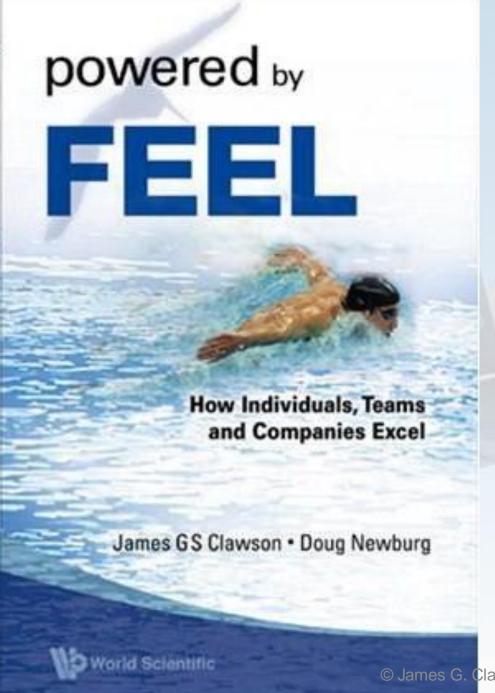
Bud Greenspan

Five Key Questions



THE PURPOSE OF LIFE

- Find Your Resonance
- Invest in Your Resonance
- Enjoy Your Resonance
- Help Others Find Their Resonance



powered by FEEL

If you want more on the FEEL→ PERFORMANCE relationship

You are always teaching.

Every encounter between a superior and a subordinate involves learning of some kind for the subordinate. (It should involve learning for the superior, too, but that is another matter.) When the boss gives an order, asks for a job to be done, reprimands, praises, conducts an appraisal interview, deals with a mistake, holds a staff meeting, works with his subordinates in solving a problem, gives a salary increase, discusses a possible promotion, or takes any other action with subordinates, he is teaching them something.

The attitudes, the habits, the expectations of the subordinate will be either reinforced or modified to some degree as a result of *every* encounter with the boss. . .The day-by-day experience of the job is so much more powerful that it tends to overshadow what the individual may learn in other settings.

The Human Side of Enterprise pp. 199-200

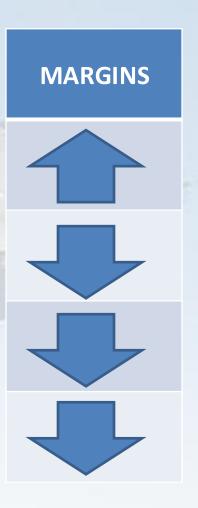
Strategic Thinking Models Appendix

- Many of the popular strategic thinking models are outlined briefly below.
- The real question, though, is what is YOUR mental map of how to "do" strategy? Do you have it clearly in mind?

Economic Development

Where are the margins?
(Pine and Gilmore, The Experience Economy)

- 5. Transformations (pay for how time with you transforms me)
- 4. Experiences (pay for time with you)
- 3. Services supplant goods (what I do for you, and margins are ... declining, becoming commoditized)
- 2. Goods out of commodities (margins?)
- 1. Commodities out of the earth (margins?)



Commoditization of Margins

Pine and Gilmore, The Experience Economy

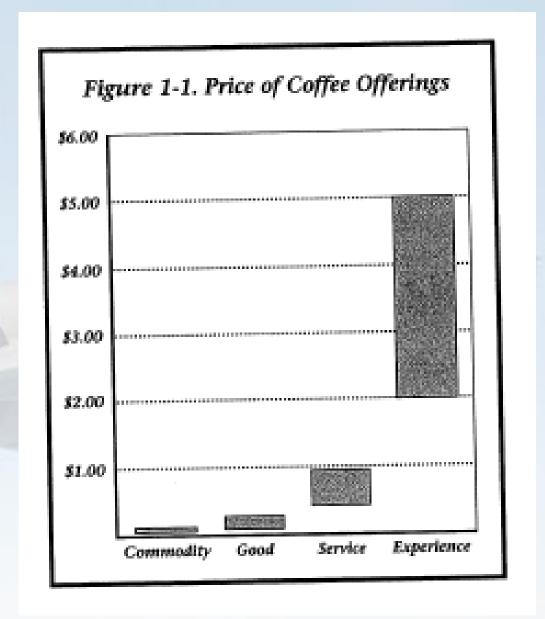
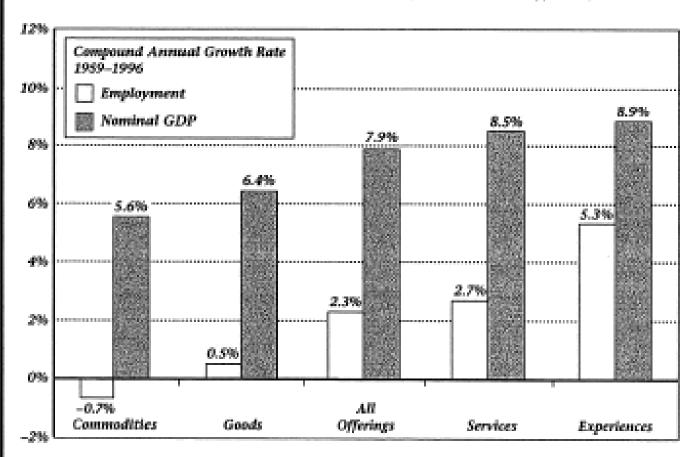


Figure 1-3. Growth in Employment and Nominal Gross Domestic Product (GDP) by Economic Offering



Sowree: U.S. Bureau of Labor Statistics, Labstat; The Statistical History of the United States: Colonial Times to 1970, United States Bureau of the Census; U.S. Census, Bureau of Economic Analysis, National Income and Product Accounts, unpublished detail; Strategic Horizons LLP and Diamond Technology Partners, analysis.

Pine and Gilmore, The Experience Economy

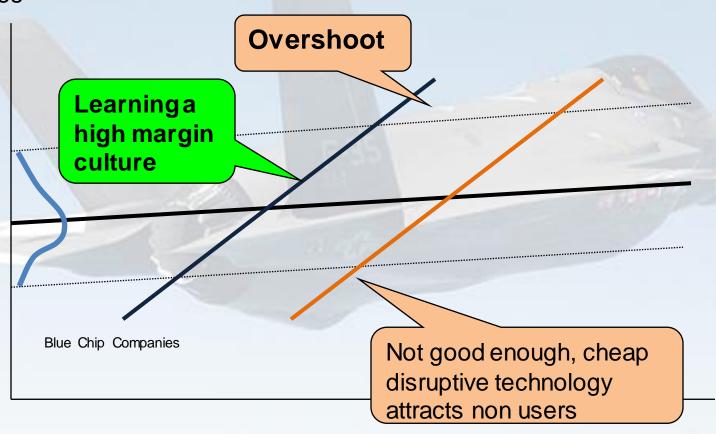
Economic Distinctions

Table 9-1. Economic Distinctions

Economic Offering	Commodities	Goods	Services	Experiences	Transformations
Есононну	Agrarian	Industrial	Service	Experience	Transformation
Economic function	Extract	Make	Deliver	Stage	Guide
Nature of offering	Fungible	Tangible	Intangible	Memorable	Effectual
Key attribute	Natural	Standardized	Customized	Personal	Individual
Method of supply	Stored in bulk	Inventoried after production	Delivered on demand	Revealed over a duration	Sustained through time
Seller	Trader	Manufacturer	Provider	Stager	Elicitor
Buyer	Market	Customer	Client	Guest	Aspirant
Factors of demand	Characteristics	Features	Benefits	Sensations	Traits

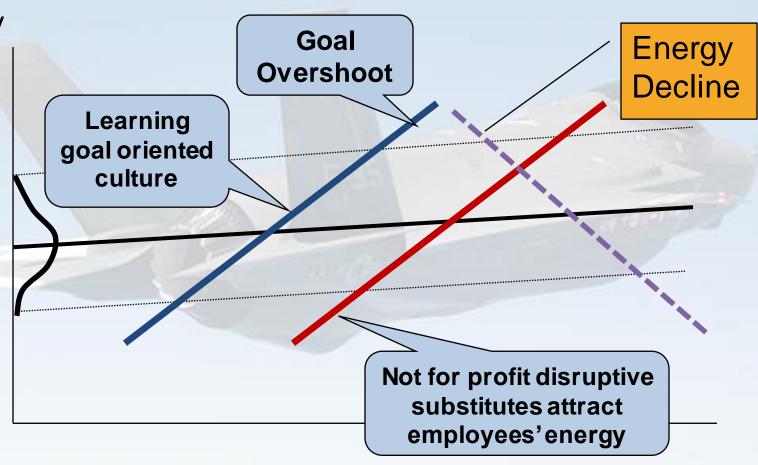
"The Innovator's Dilemma"

% Utilization of Features



Motivator's Dilemma

Utilization of Energy



Strategic Mindsets

STRATEGIC FIT MODEL

STRATEGIC INTENT MODEL

Strategic thinking is driven by the **match** between current capabilities and existing opportunities

Searching for sustainable advantages

Finding protected niches

Strategic thinking is driven by bridging gap between today's reality and tomorrow's vision

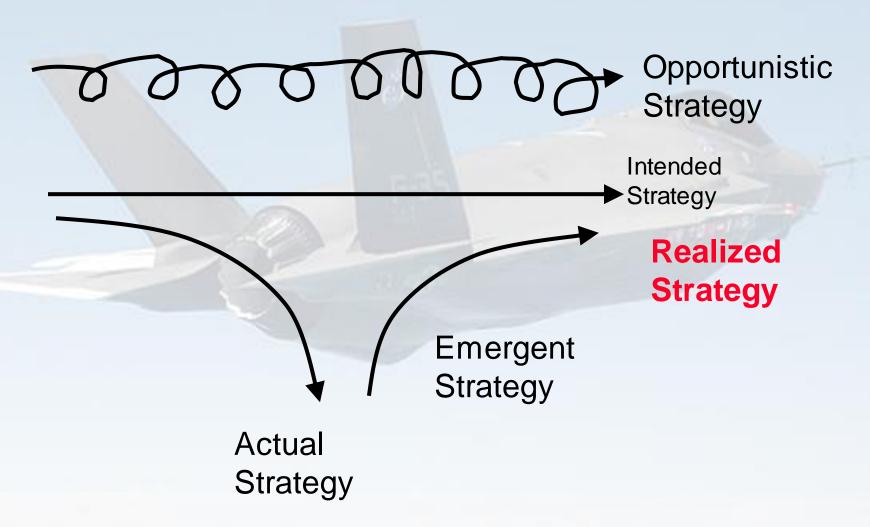
Finding ways to leverage resources

Outpacing competitors in building new advantages

Making new industry rules

Source, Hamel and Prahalad, Strategic Intent, HBR

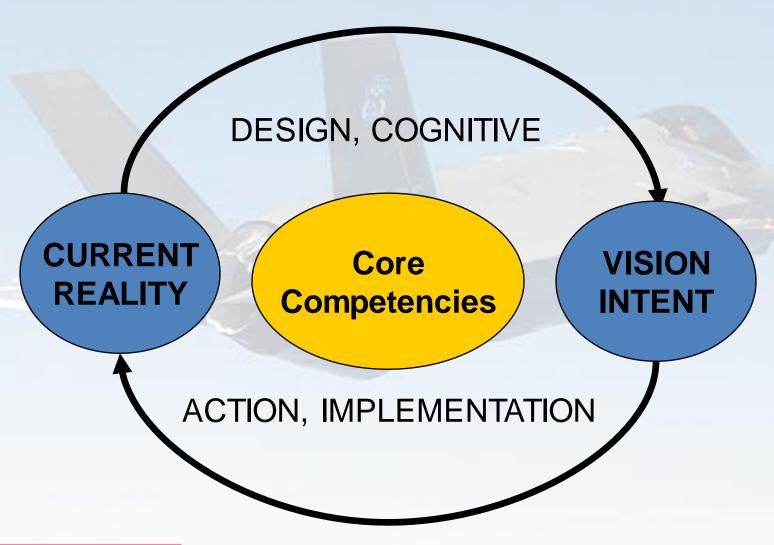
Realized Strategy



Realized Strategy

Realized strategy is the result of the collision between dreams and economic realities....

STRATEGIC CYCLES



So-called SWOT Analysis...

INTERNAL

Strengths

Weaknesses

EXTERNAL

Opportunities

Threats

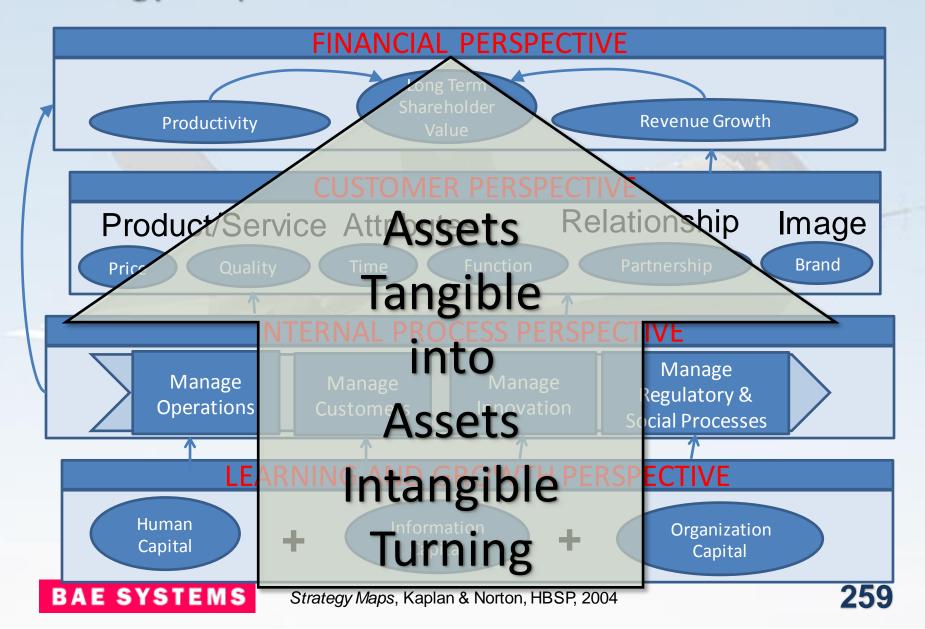
Four Questions that Guide Strategic Choices



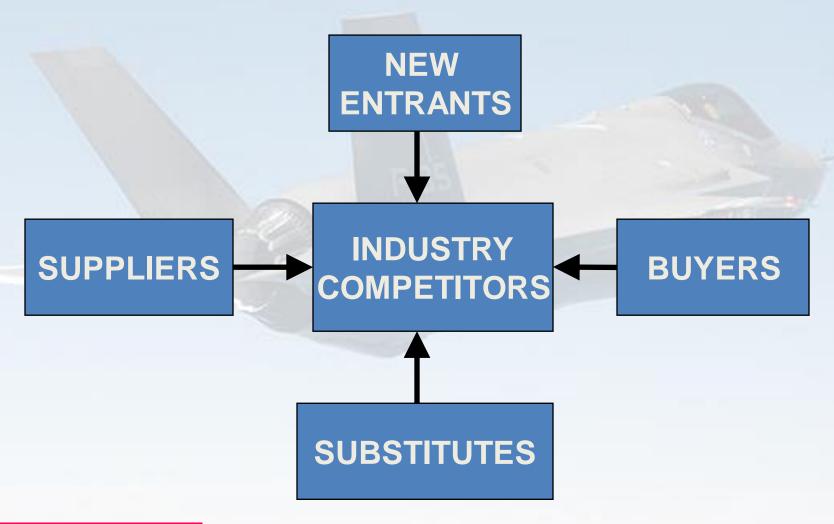
Four Related Questions that Guide Strategic Choices



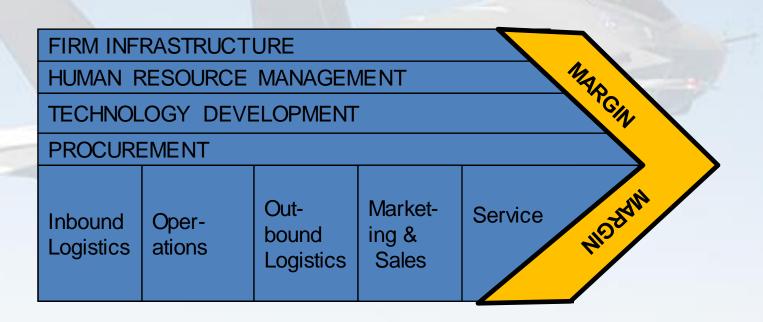
Strategy Maps: The Balanced Scorecard Framework



Porter's Five Forces Model

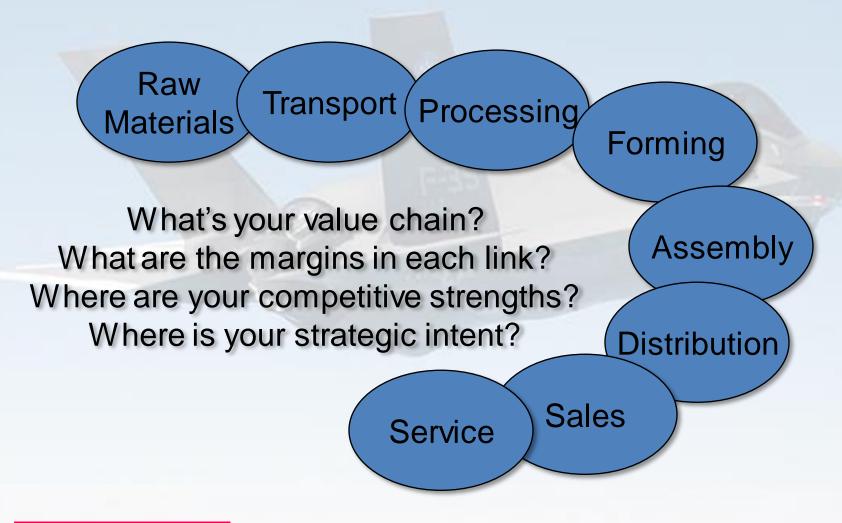


Porter's Generic Value Chain



Adapted from Michael Porter, Competitive Advantage, Free Press, New York, 1985, p. 46

GENERAL VALUE CHAIN

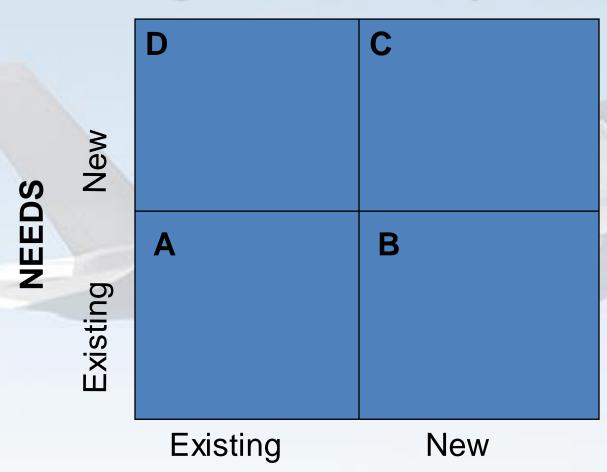


Broadening the Pond

Every Business is a Growth Business,

Ram Charan and Noel Tichy, Random House, NY, 1998

Defining Growth Trajectories



Charan and Tichy

BAE SYSTEMS

CUSTOMERS

Defining Growth Trajectories

D New esponse A \$XB Existing **Global Push Past** Your Share, Existing New **CUSTOMERS**

Charan and Tichy



New Products and New Customers implies the need for continuous learning...

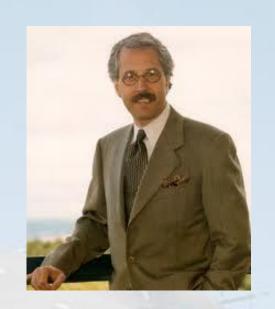
Creating Core Capabilities

- The building blocks of corporate strategy are not products and markets but business processes.
- Competitive success depends upon transforming a company's key processes into strategic capabilities that consistently provide superior value to customers
- Companies create these capabilities by making strategic investments in a support infrastructure that links together and transcends traditional functions.
- Capability-based strategies, because they cross functions, must be championed by senior leadership.

Stalk, Evans, and Shulmand (1992)

Gary Hamel's 10 Rules for Strategic Innovation

- 1. Set unreasonable expectations
- 2. Stretch your business definition
- 3. Create a cause, not a business
- 4. Listen to new voices
- 5. Design an open market for ideas



Hamel's 10 Rules (cont'd)

- 6. Offer an open market for capital
- 7. Open up the market for talent
- 8. Lower the risks of experimentation
- 9. Make like a cell—divide and divide
- 10. Pay your innovators well—really well.

"Reinvent your Company," by Gary Hamel, Fortune, June 12, 2000, p. 98

Khrushchev, once criticizing
Stalin, was asked by a reporter,
"You were there. Why didn't
you stop it?"



Khrushchev asked angrily, "Who said that?" And then he ordered the man shot.

As they were taking him out, he said, "Wait! Now you know!" And had him released.

Nevertheless, Strategy as Revolution There are ...

- Rule Makers
- Rule Takers and
- Rule Breakers

Strategy as Revolution, Gary Hamel, HBR July-August, 1996, 96405, p. 69

Strategy as Revolution

- Planning isn't strategic.
- Strategy making must be subversive.
- The Bottleneck is at the top of the bottle.
- Revolutionaries exist in every company.
- Strategy making must be democratic.
- Change is not the problem, engagement is.
- Anyone can be a strategy activist.
- Perspective is worth 50 IQ points.
- Top down and Bottom up are not alternatives.
- You can't see the end from the beginning.

Revolutionizing Strategy

- Radically improving the value equation
- Separating form and function
- Achieving Joy of Use
- Pushing the bounds of universality
- Striving for individuality
- Increasing accessibility
- Re-scaling Industries
- Compressing the Supply Chain
- Driving Convergence

Strategy as Revolution, Gary Hamel, HBR July-August, 1996, 96405, p. 69

Strategy is revolution; everything else is tactics.

In industry after industry the terrain is changing so fast that experience is irrelevant and even dangerous.

The objective is not to get people to support change but to give them responsibility for engendering change, some control over their destiny.

Hamel

Who Should Be Involved in Democratic Strategy Making?

- People geographically on the periphery
- Newcomers
- Young people

Change the Rules

The future is not the result of choices among alternative paths offered in the present –

it is a place that is **created** -- created first in the mind and will; created next in the activity.

One must care more for one's community than for one's position in the hierarchy.

Top down process achieves unity of purpose, Bottom's up can achieve diversity, but we need to balance the two so we need deep diagonal slices in the strategy making process.

Hamel