

Leading Strategic Change

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HANDOUT MATERIAL

10-3-2011(overview)

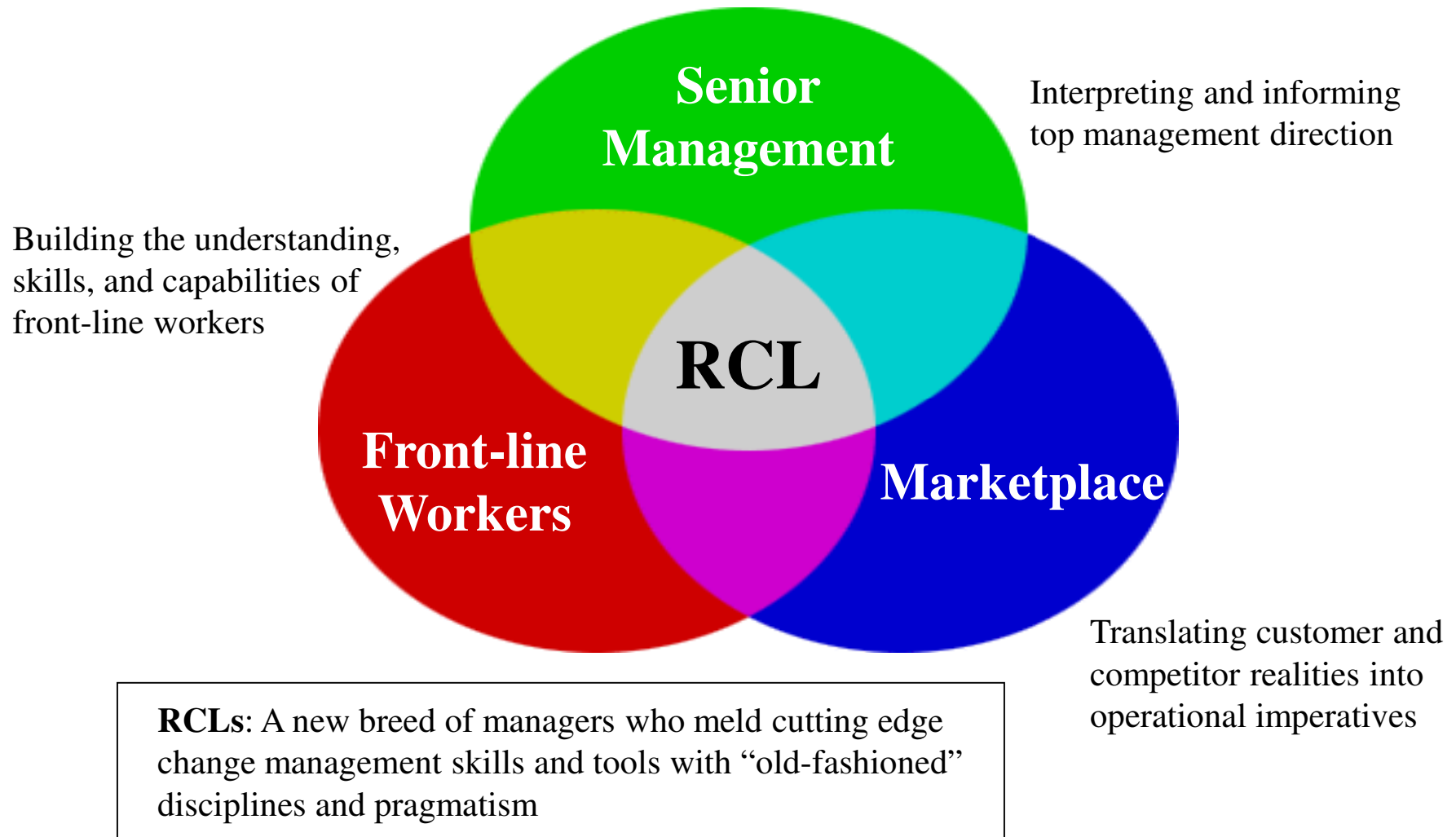
The Curse of Belief Dependent Realism

1. Beliefs come first
 2. Perceptions about reality are dependent on our beliefs more than **facts- beliefs define reality**
 3. Our reality exists independent of objective facts
 4. Understanding **another person's reality** depends on our **understanding of their beliefs** at any given time
 5. People are resistant to changing their mind given new facts if those **facts challenge their beliefs**
 6. To change someone try and **link the change to some of their beliefs**
- *See The Believing Brain. M. Shermer, (2011) Times Books.*

What Successful Change Transitions Share*

- 1. Leaders ensured that frontline staff felt ownership for the change**
 - 2. Roles/responsibilities were clear-people felt accountable for driving results**
 - 3. All were engaged and energized through ongoing communication and involvement**
 - 4. The best talent was deployed to carry out the most critical parts of the change effort**
 - 5. Leaders role-modeled the desired changes**
 - 6. Clear metrics and milestones were in place to ensure progress was tracked**
- *What Successful Transformations Share-McKinsey Global Survey March 2010**

Linchpin Role of Real Change Leaders (RCLs)



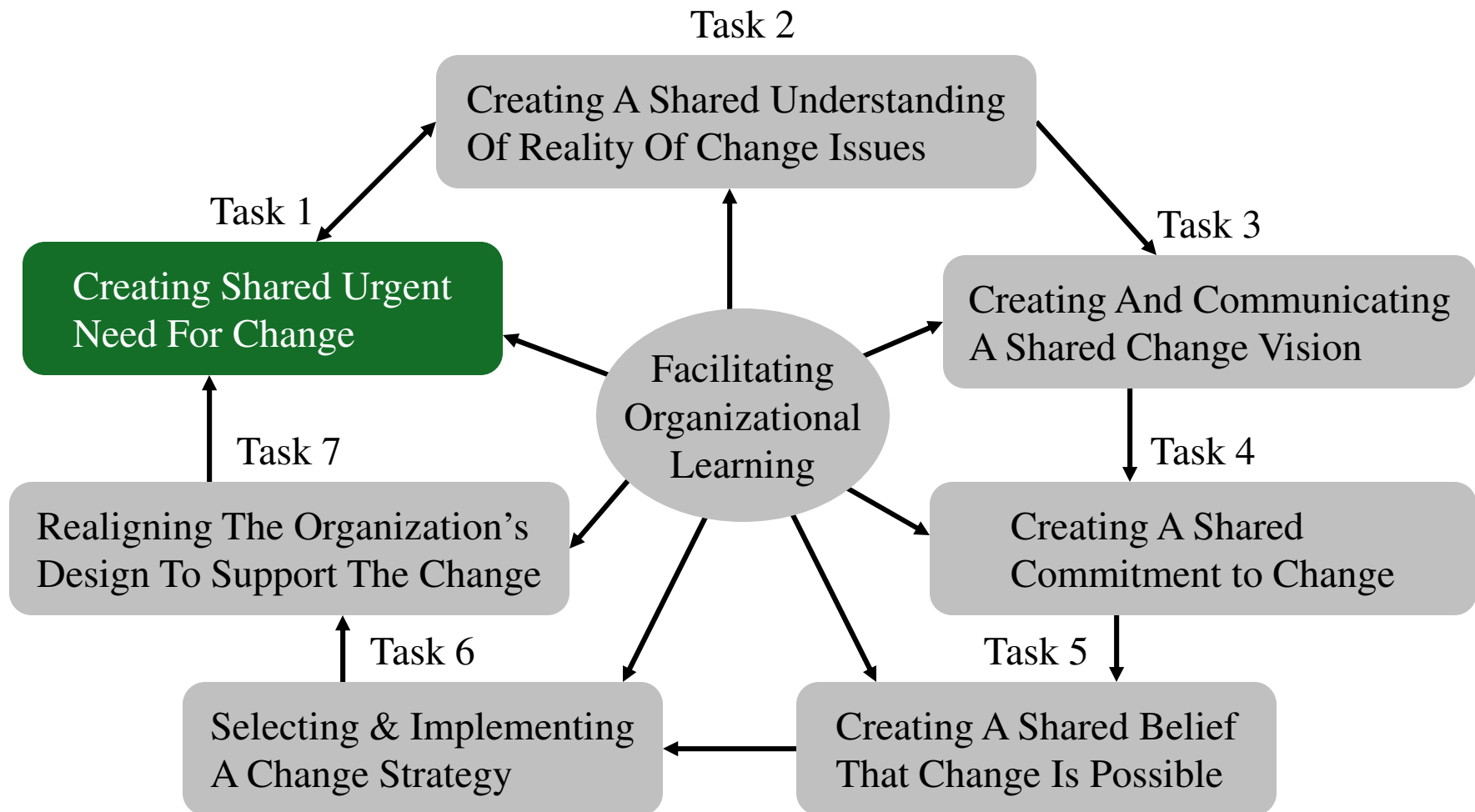
From: **REAL CHANGE LEADER'S HANDBOOK**, Random House (1996) pages 4 and 11

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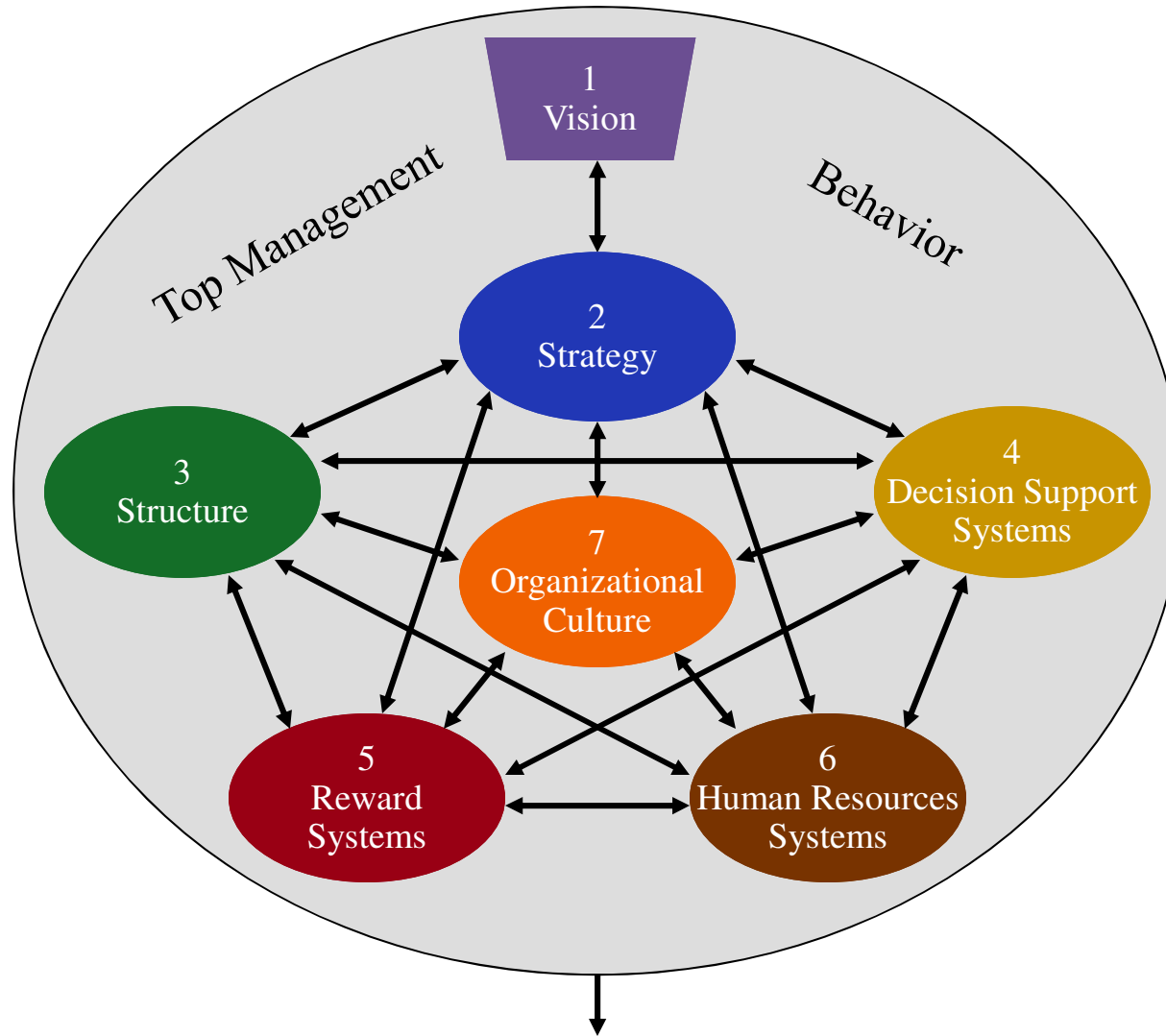
The Strategic Change Cycle



The Strategic Change Cycle



Organizational Design

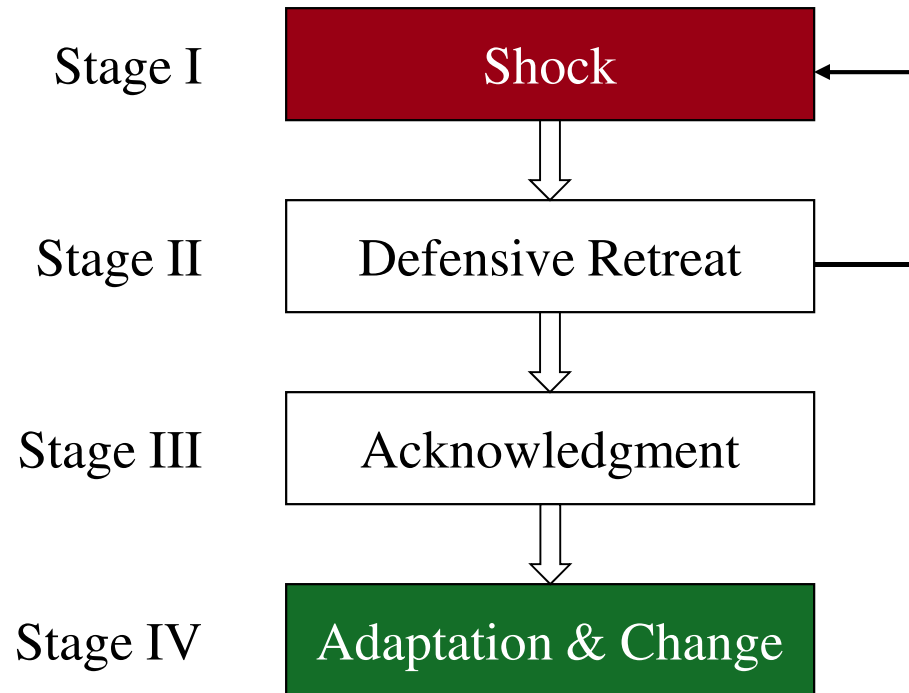


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Three Key Questions the Individual is Concerned About in Change

1. How is this change **going to affect me**, my job, my career, my status, my power and influence?
2. How do I need to **change my behavior**? What do I need to do differently in how I do my job?
3. How do I **develop the skills and abilities** to behave differently?

Personal Transition Stages



See "Turning the Pain of Change into Creativity and Structure for the New Order" M. Moore & P. Gergen in **CORPORATE TRANSFORMATION**. (1988) KILMANN et al. **JOSSEY BASS & MANAGING TRANSITIONS**, (1992) Bridges, Addison-Wesley

Personal Transition Stages in Change

STAGE 1: SHOCK

People experience impending change as a threat.

People need emotional support.

What to do: Help people look for common ground in shock, build support network, and provide information about change goals.

See “Turning the Pain of Change into Creativity and Structure for the New Order” M. Moore & P. Gregen in **CORPORATE TRANSFORMATION**. (1988) KILMANN et al. **JOSSEY BASS & MANAGING TRANSITIONS**, (1992) **Bridges**, Addison-Wesley

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STAGE 2: DEFENSIVE RETREAT

Holding on, attempting to maintain old ways, refusal to let go of the past and anger occur here. People can get stuck here or recycle back to STAGE 1.

What to do: Don't be surprised at "overreaction." Help people identify what they are holding on to, and then how to maintain it in the new situation or how to let it go. Clarify what's changing and not changing. **Never denigrate the past.**

See "Turning the Pain of Change into Creativity and Structure for the New Order" M. Moore & P. Gergen in **CORPORATE TRANSFORMATION**. (1988) KILMANN et al. **JOSSEY BASS & MANAGING TRANSITIONS**, (1992) Bridges, Addison-Wesley

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STAGE 3: ACKNOWLEDGMENT

Sense of grief and sadness over loss occurs here. People begin to let go and see the value of what is coming and begin to look for ways to make the change work by considering the pros and cons. People start to take some risks.

What to do: Create task forces and transition teams to involve people in exploring options and planning. Overtly encourage and support risk taking.

See “Turning the Pain of Change into Creativity and Structure for the New Order” M. Moore & P. Gergen in **CORPORATE TRANSFORMATION**. (1988) KILMANN et al. **JOSSEY BASS & MANAGING TRANSITIONS**, (1992) Bridges, Addison-Wesley

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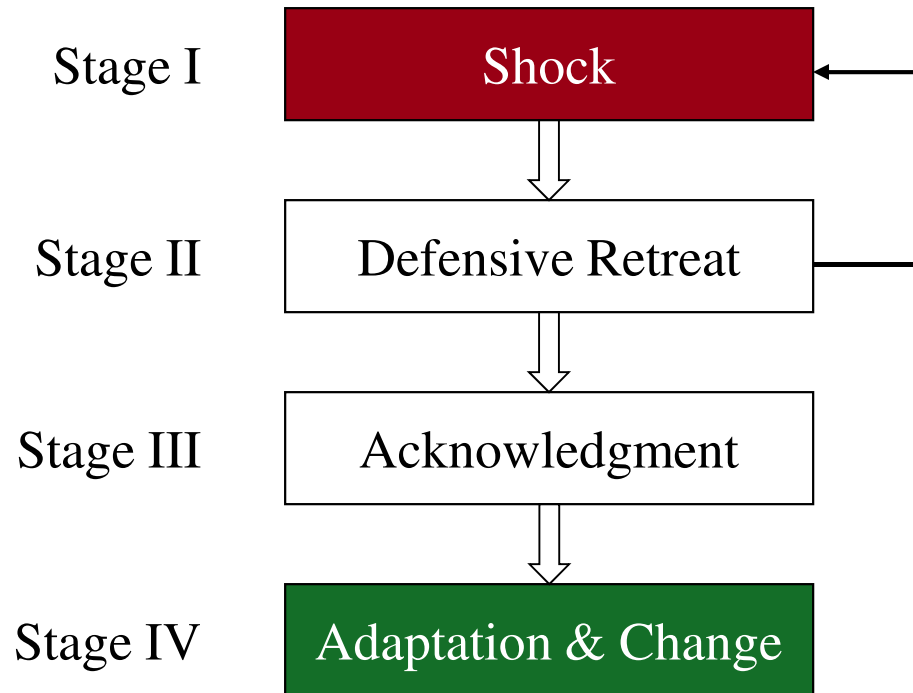
STAGE 4: ADAPTION & CHANGE

What is coming has arrived. People are now ready to establish new routines and to help others. Risk taking comes into full bloom here.

What to do: Clarify the goals/objectives of the change, **create a “picture” of how the change will look and feel**, develop detailed implementation plan with participation. Reinforce risk taking allowing for some “failures.”

See “Turning the Pain of Change into Creativity and Structure for the New Order” M. Moore & P. Gergen in **CORPORATE TRANSFORMATION**. (1988) KILMANN et al. **JOSSEY BASS & MANAGING TRANSITIONS**, (1992) Bridges, Addison-Wesley

Personal Transition Stages



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Why Does Crap Happen?

Mistakes vs. Blunders

Mistake

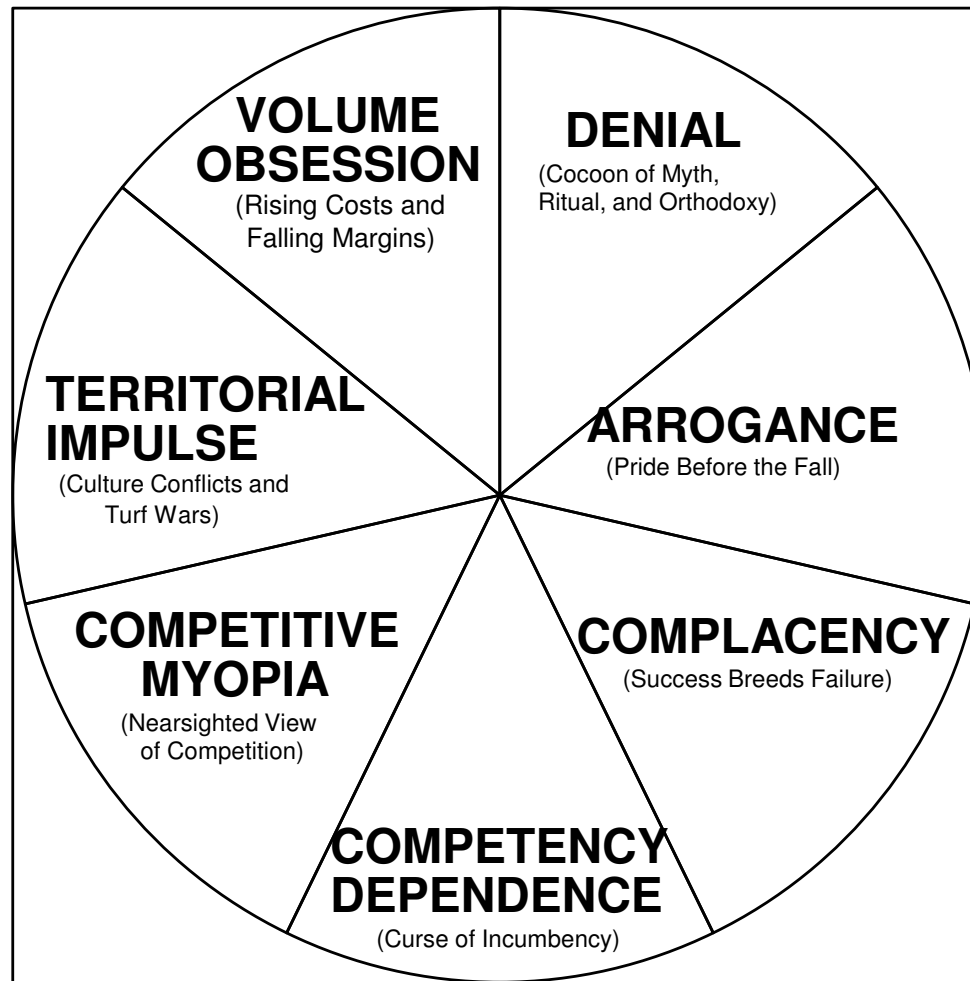
An error arising from incorrect data

Blunder

A solution to a problem that makes matters worse than before you began

From **Blunder: Why Smart People Make Bad Decisions** Z. Shore (2008)Bloomsbury (page 9)

Self-Destructive Habits of Good Companies



From "The Self-Destructive Habits of Good Companies." J. N. Sheth (2007), Wharton School Publishing.

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Most Crises Are Predictable

1. Why do we fail to see them coming?
2. What are the barriers to being able to anticipate them?
3. How can we build in anticipation?

From "Predictable Surprises: The Disaster You Should Have Seen Coming." M. Watkins & M. Bazerman, *Harvard Business Review*, (2003) Vol. 81, #3.

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Most Crises Are Predictable

1. Why we fail to see them coming:
 - A. We didn't recognize them.
 - B. We failed to prioritize problems appropriately.
 - C. We didn't motivate the organization to take action.

From "Predictable Surprises: The Disaster You Should Have Seen Coming." M. Watkins & M. Bazerman, *Harvard Business Review*, (2003) Vol. 81, #3.

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Most Crises Are Predictable

2. What are these barriers to anticipation?

A. Psychological

- We suffer bounded awareness
- We don't face reality.
- We only consider evidence that supports our view.
- We ignore what others are doing.
- We fear being exposed as weak
- We suffer causefusion- a misunderstanding of causes
- We have a flat view-a rigid perspective to just one dimension of complex situation

From "Predictable Surprises: The Disaster You Should Have Seen Coming." M. Watkins & M. Bazerman, *Harvard Business Review*, (2003) Vol. 81, #3.

From **Blunder: Why Smart People Make Bad Decisions** Z. Shore (2008)Bloomsbury

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Most Crises Are Predictable

2. What are these barriers to anticipation?

A. Psychological (cont)

- We suffer from cure-allism- dogmatic belief that one approach applies to all situations
- We suffer from information-controlling- information hoarding is key to successful resolution of problems
- We suffer from mirror imaging-the belief that other side thinks like us
- We suffer from static-cling-we do not recognize and/or accept a changing world

From "Predictable Surprises: The Disaster You Should Have Seen Coming." M. Watkins & M. Bazerman, *Harvard Business Review*, (2003) Vol. 81, #3.

From **Blunder: Why Smart People Make Bad Decisions** Z. Shore (2008)Bloomsbury

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Most Crises Are Predictable

2. What are these barriers to anticipation? (cont)

B. Organizational

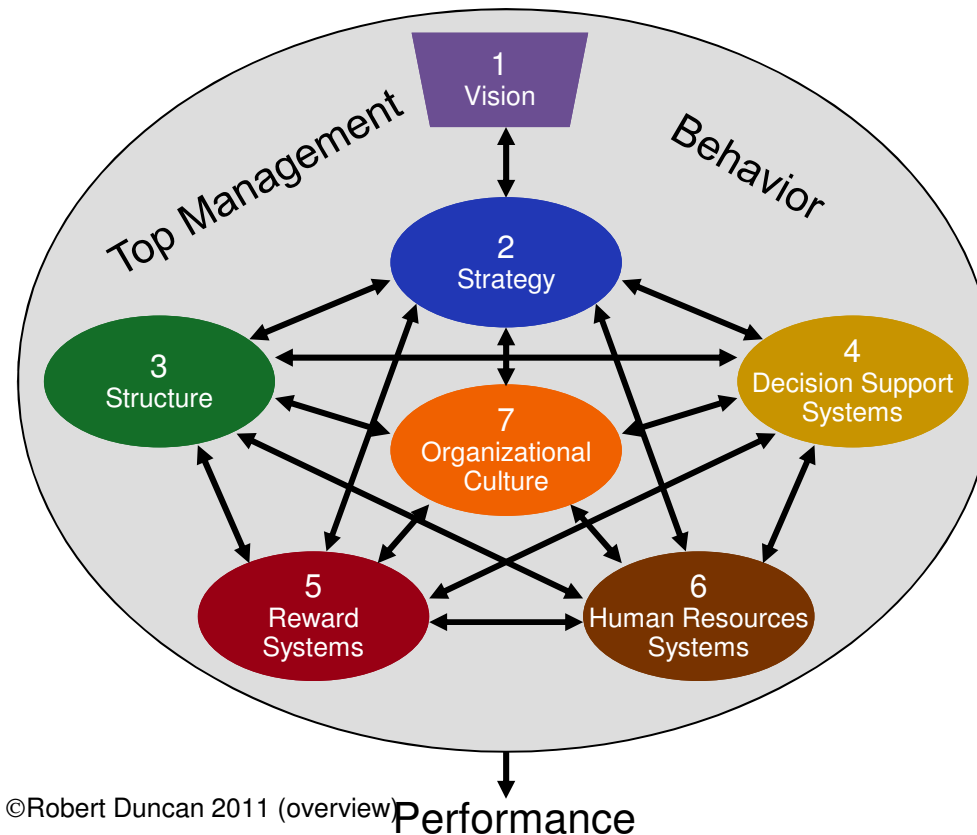
C. Political

From "Predictable Surprises: The Disaster You Should Have Seen Coming." M. Watkins & M. Bazerman, *Harvard Business Review*, (2003) Vol. 81, #3.

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Most Crises Are Predictable

3. How can we build in anticipation?
 - A. Enhance organizational learning.
 - B. Make sure organization design supports this.



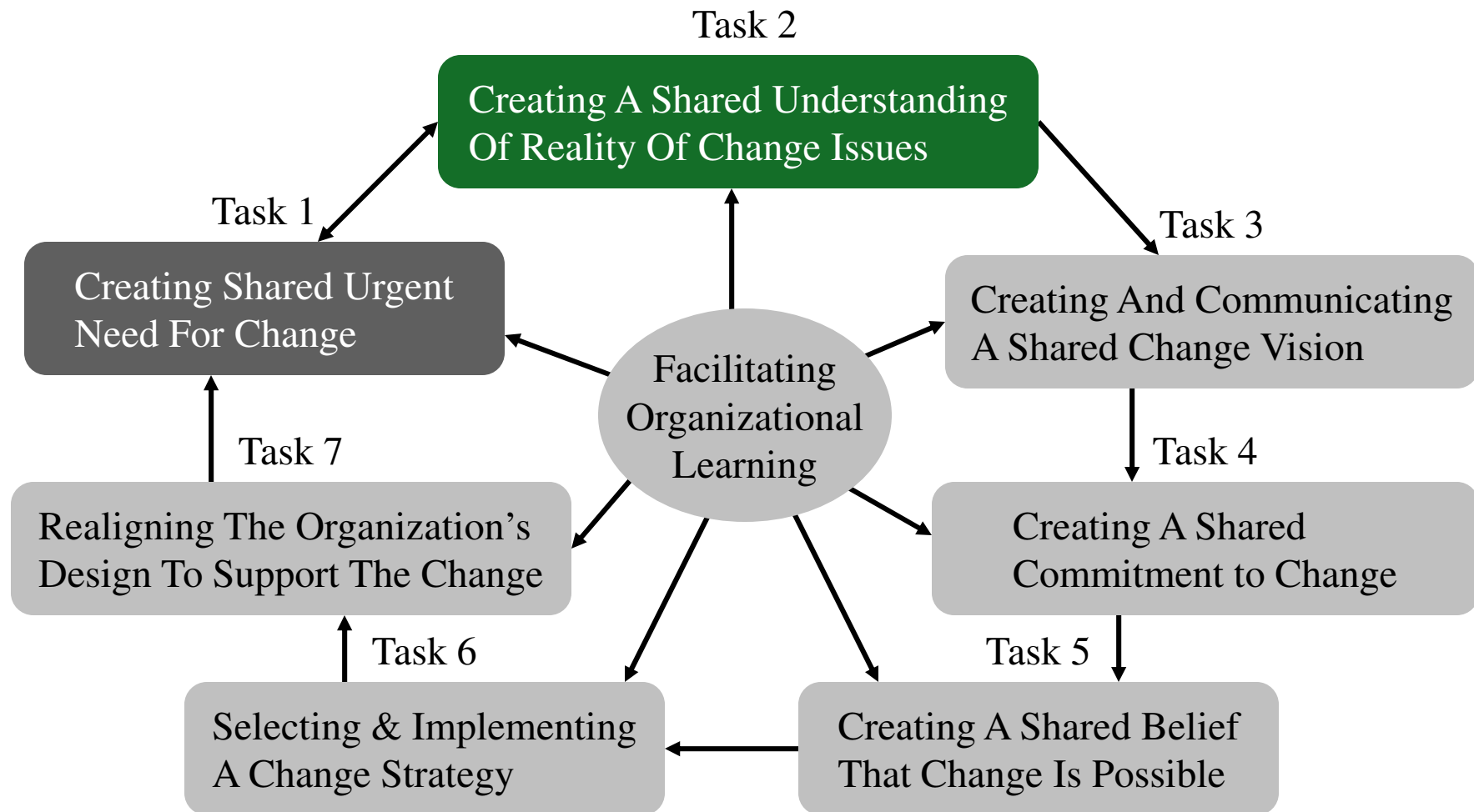
Most Crises Are Predictable

3. How can we build in anticipation? (cont.)
 - C. Organizational culture is key.
 - D. Scenario planning can work.
 - E. Risk analysis can work.

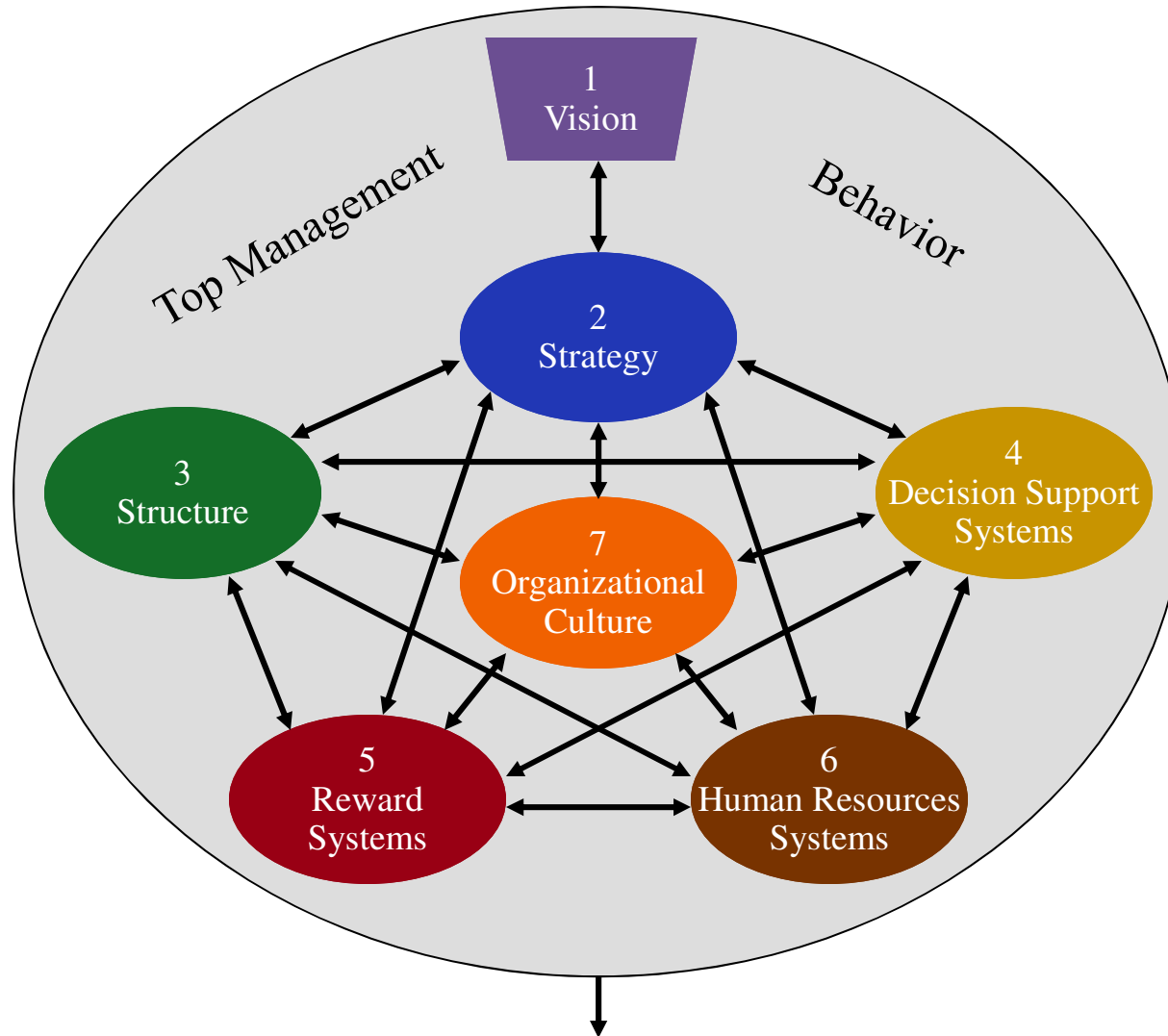
From "Predictable Surprises: The Disaster You Should Have Seen Coming." M. Watkins & M. Bazerman, *Harvard Business Review*, (2003) Vol. 81, #3.

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The Strategic Change Cycle



Task 2: Diagnosis For Organizational Design



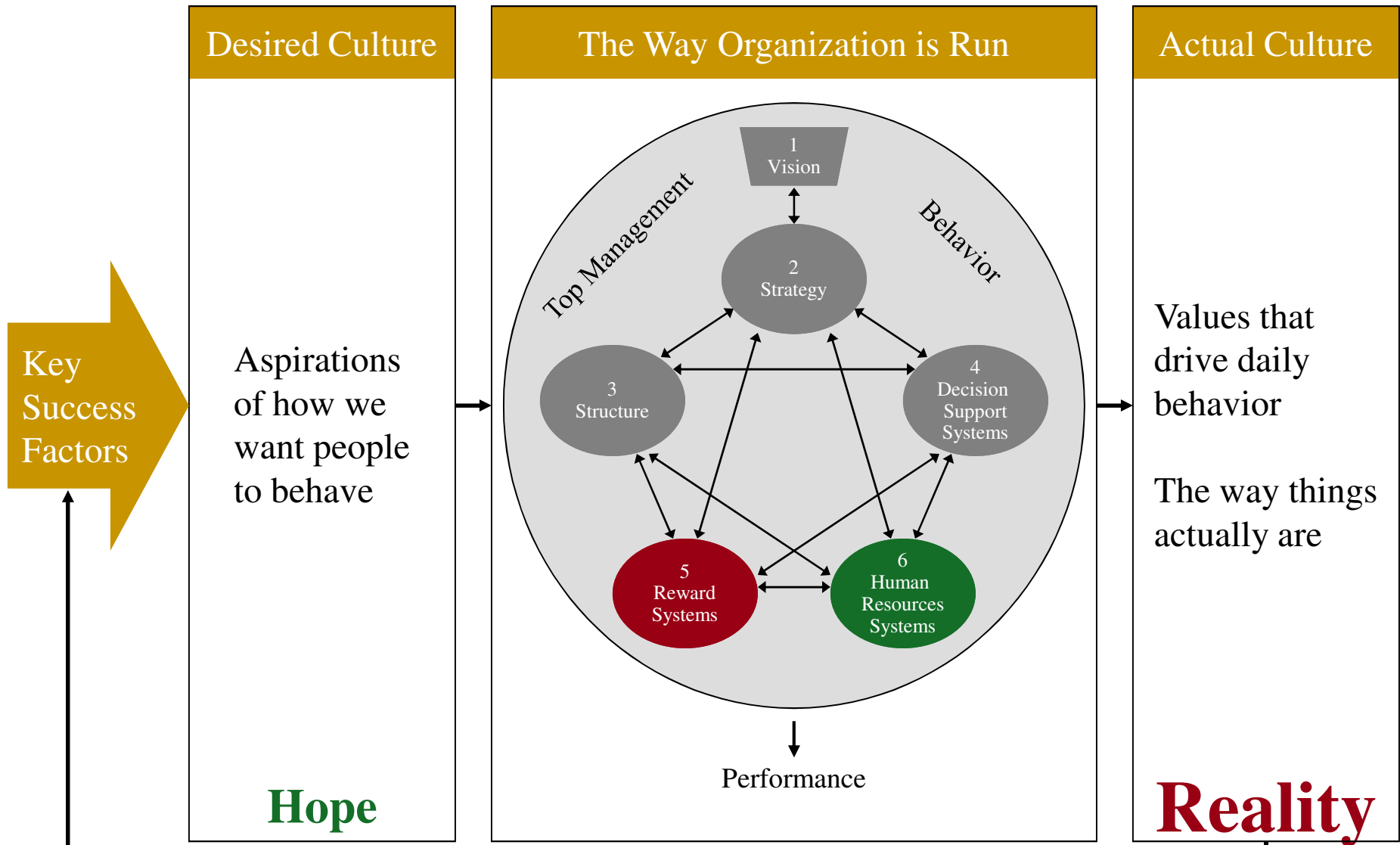
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1. **BUSINESS DEFINITION** is the first step in strategy formulation. There are several key questions here:
 - A. What customer groups are *served*? What do you sell them? What and where are your markets?
 - B. What customer *needs* do you satisfy? Where do you add value?
 - C. How might your markets and customers *change* with time?

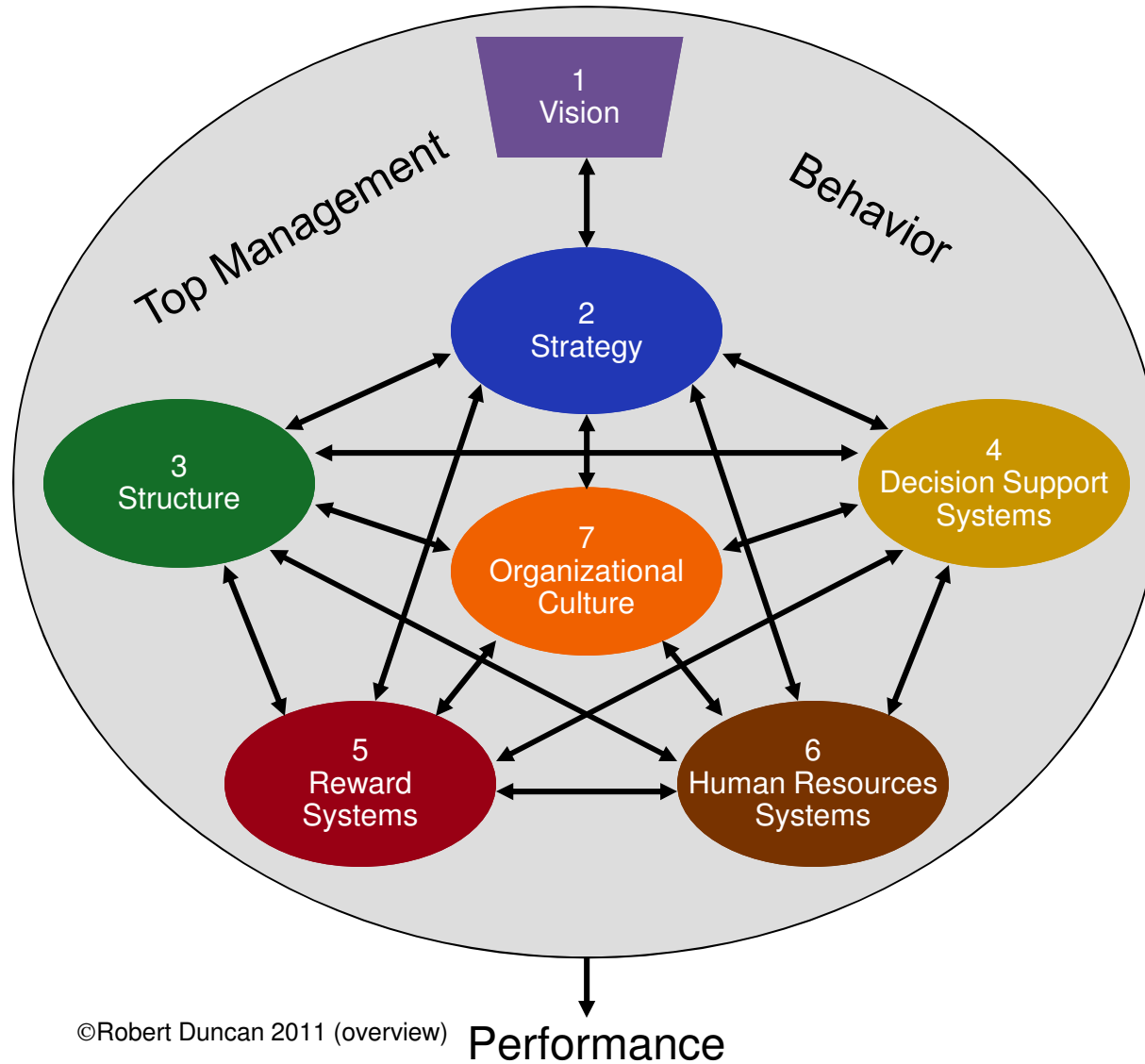
2. Identify the **KEY SUCCESS FACTORS** (KSF's) in your business.
 - A. What really makes the *difference* between success and failure in your business?
 - B. How can you *differentiate* between the winners and the losers?
 - C. What *changes* do you expect in the KSF's in the next 2-5 years?

3. What are your **COMPETENCIES** (C's), i.e., what does your unit do well that distinguishes it from your competition?
 - A. How do your *current* competencies match the current KSF's?
 - B. What *new* competencies will your unit have to develop in the next 2-5 years to match the changing KSF's?

The Way Organization Is Run Creates the Culture



Diagnosis For Organizational Design



Action Planning for Change

1. Review your diagnosis and develop a list of issues you want to work on to improve your unit. Use the following criteria in selecting those issues:
 - A. Select those issues that you have **control** over, i.e., you can do something to influence it, and have the **authority-power** and at least some of the required resources to make things happen.
 - B. Select those issues where there is a **likely chance to be successful** in solving the problem.

Action Planning for Change

2. There are several key things that must be done to translate intentions into successful change. List the specific *actions* you are going to take in dealing with each *design* issue. For each *action* you take, consider the following implementation issues as you fill in the attached **Action Planning Matrix**
 - A. Identify whose *support* (superiors, peers, subordinates) will be required for successful change.
 - B. Identify who is *responsible* for what as you work on these issues.
 - C. Identify the *timetable* for working on this issue. Set some time deadlines for task completion.

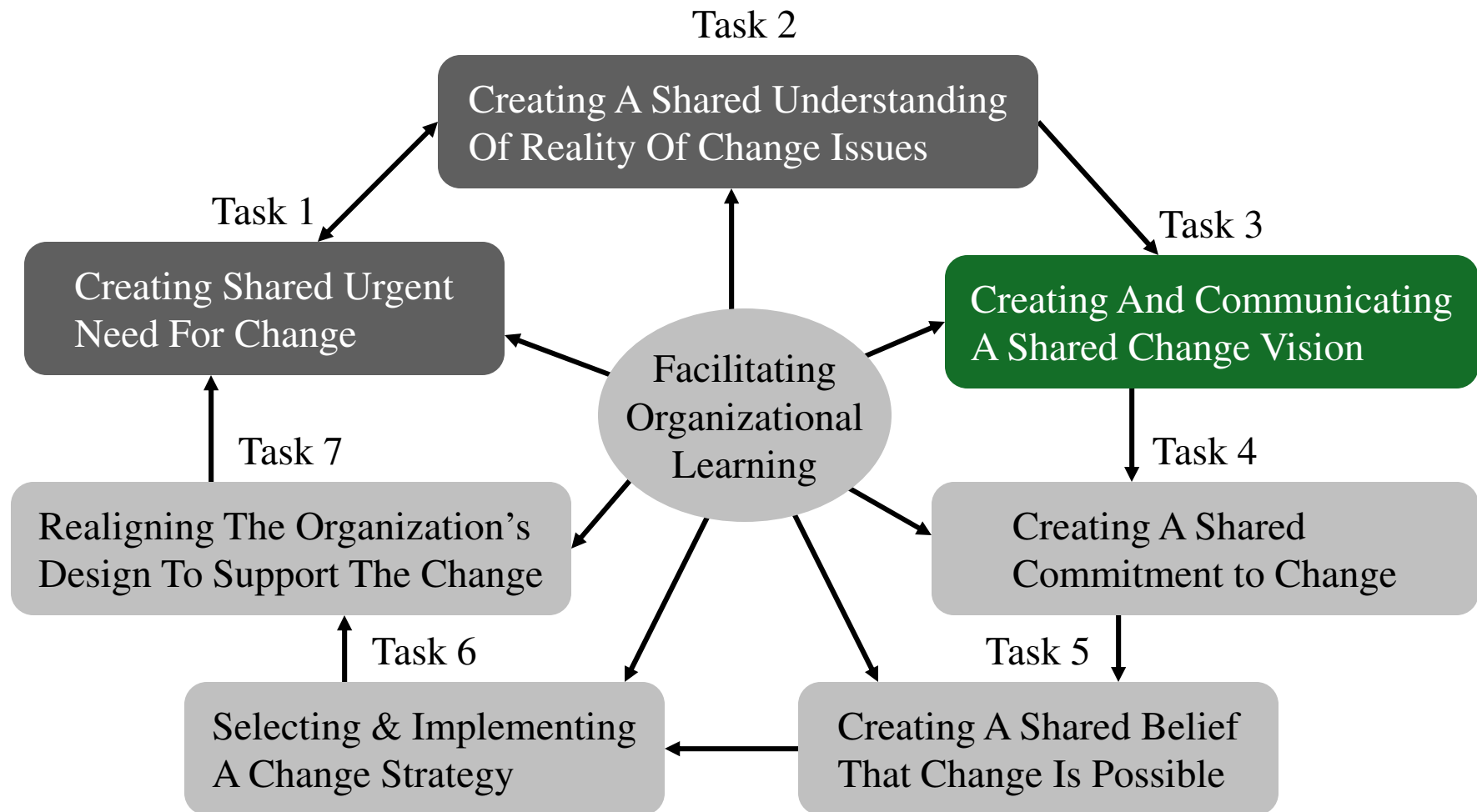
Action Planning for Change (Con't)

- D. Identify what **resources** (people, training, financial, etc.) that will be required for change.
- E. Identify the **criteria for successful change** for each issue. How will you know that you have been successful in fixing it?
- F. Identify the **monitoring-feedback** mechanisms that can be established to monitor progress in fixing the change issue.
- G. Anticipate what kinds of **modifications** might have to be made to fine-tune each change effort.

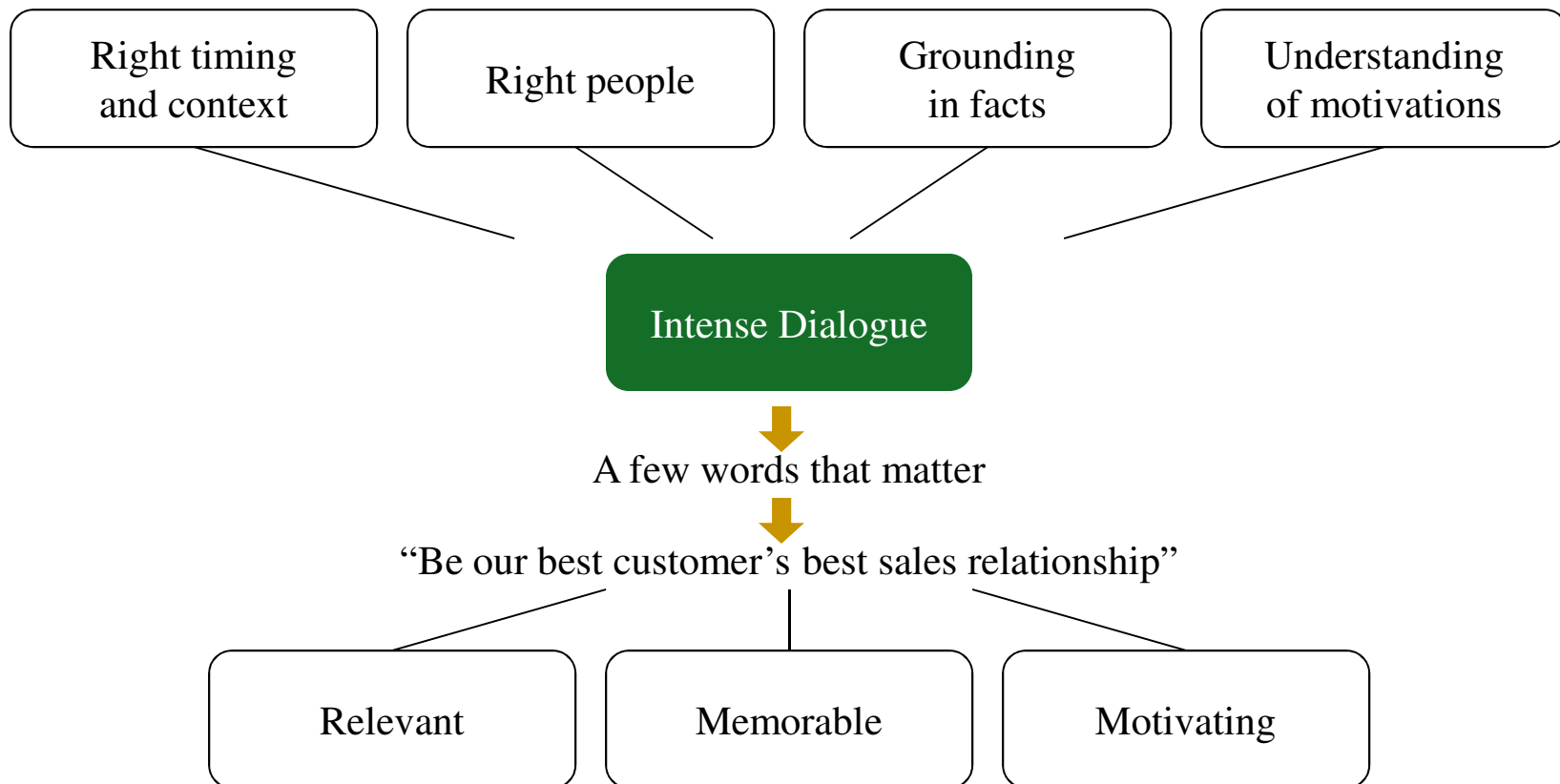
Action Planning Matrix

ACTIONS	NEEDED SUPPORT	RESPON-SIBILITY	TIME TABLE	REQUIRED RESOURCE	SUCCESS CRITERIA	MONITORING MECHANISMS	POSSIBLE MODIFI-CATIONS

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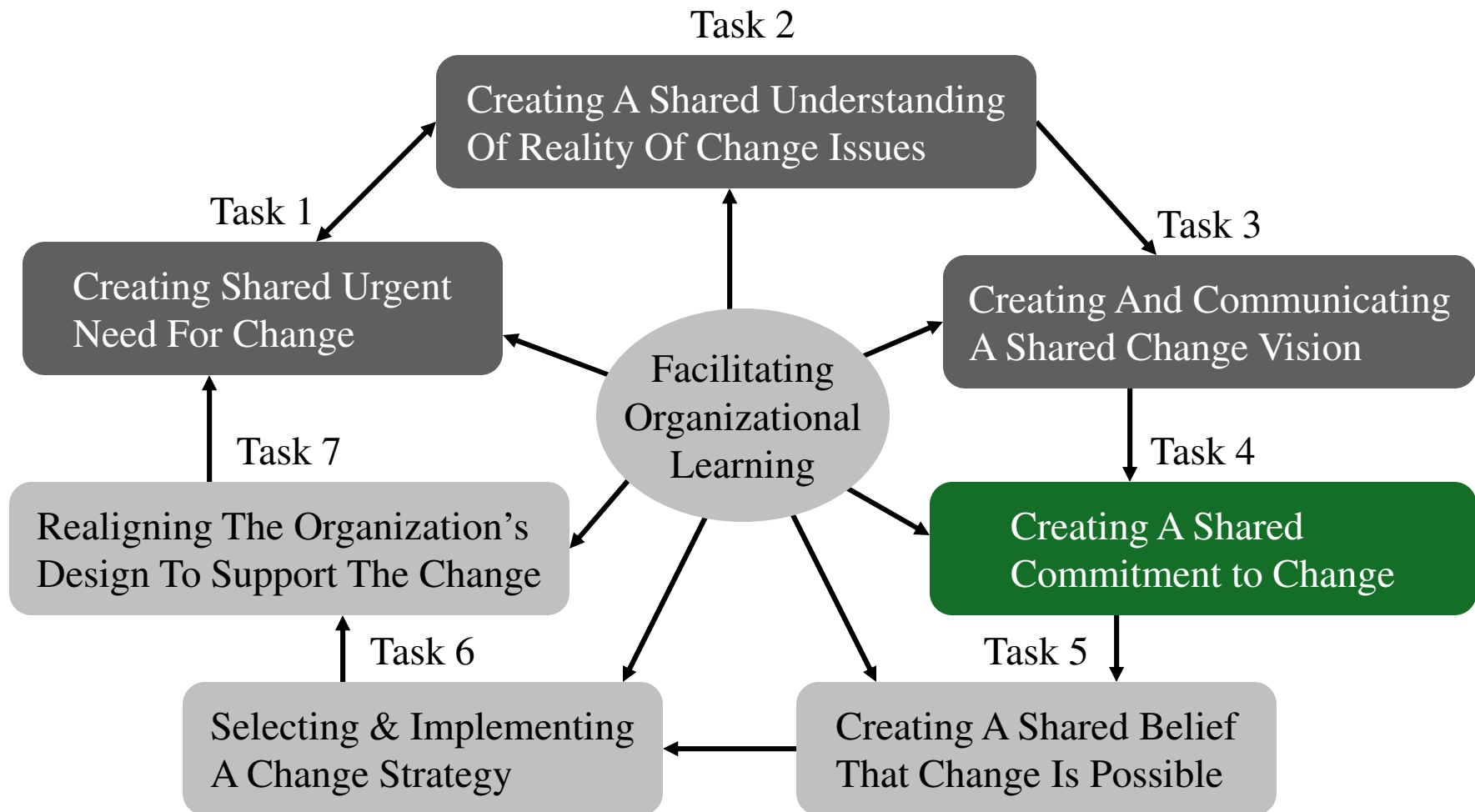
Task 3: How Change Visions Work



From: **Real Change Leaders, Katzenbach et al, Times Books (1995) p 354**

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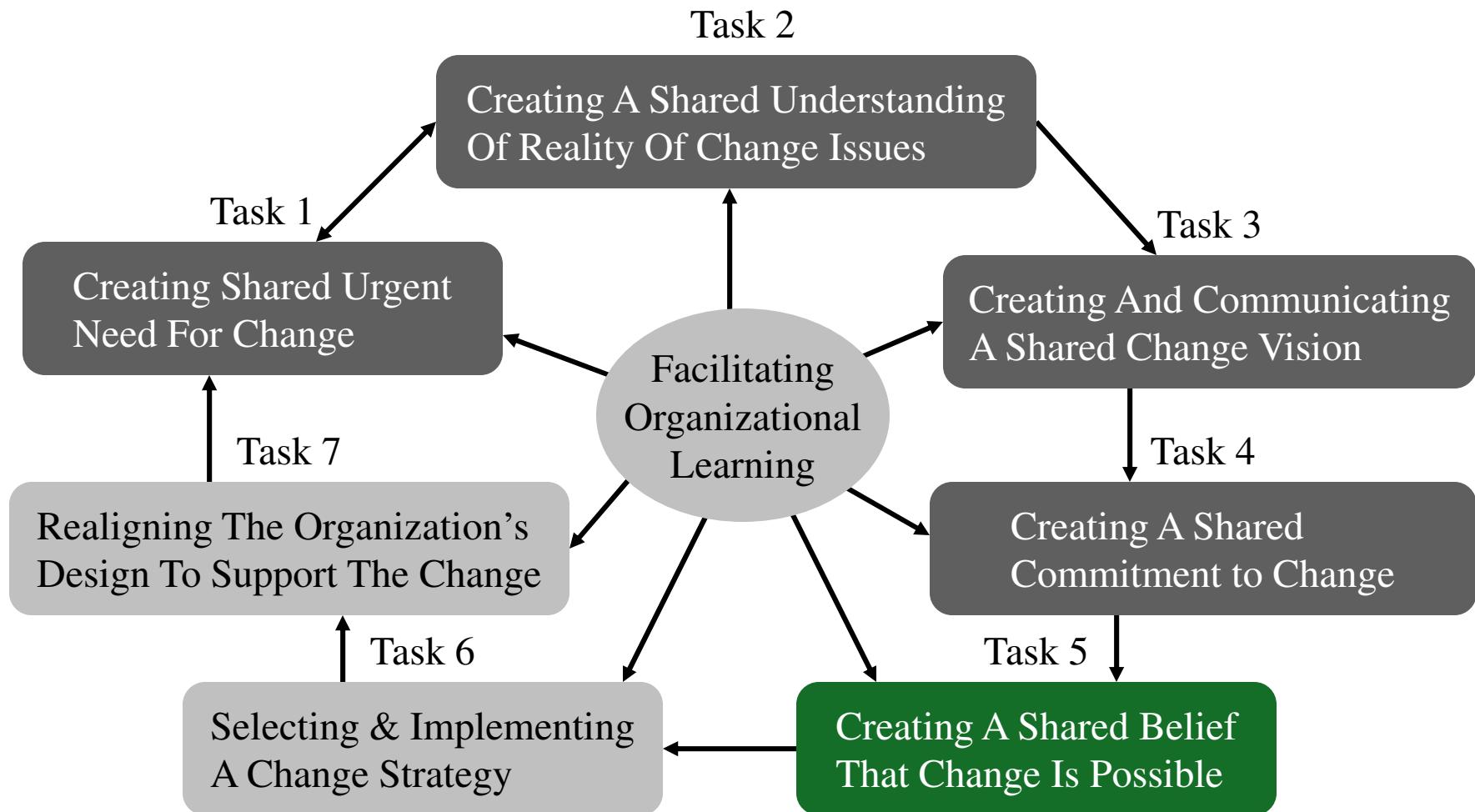
Building Conviction, Capability and Courage

	CONVICTION →	COURAGE	← CAPABILITY
	Firm belief that a) change is needed and b) the change direction is right	Willingness to “do the right thing” and take on the necessary <i>personal and professional risks</i>	The ability to act effectively on commitments... <i>a matter of talent, skills, experience, and support</i>
Yourself			
Others around and below you			
Top management			

From: REAL CHANGE LEADERS, Katzenbach et al, Times Business (1995) pg 358

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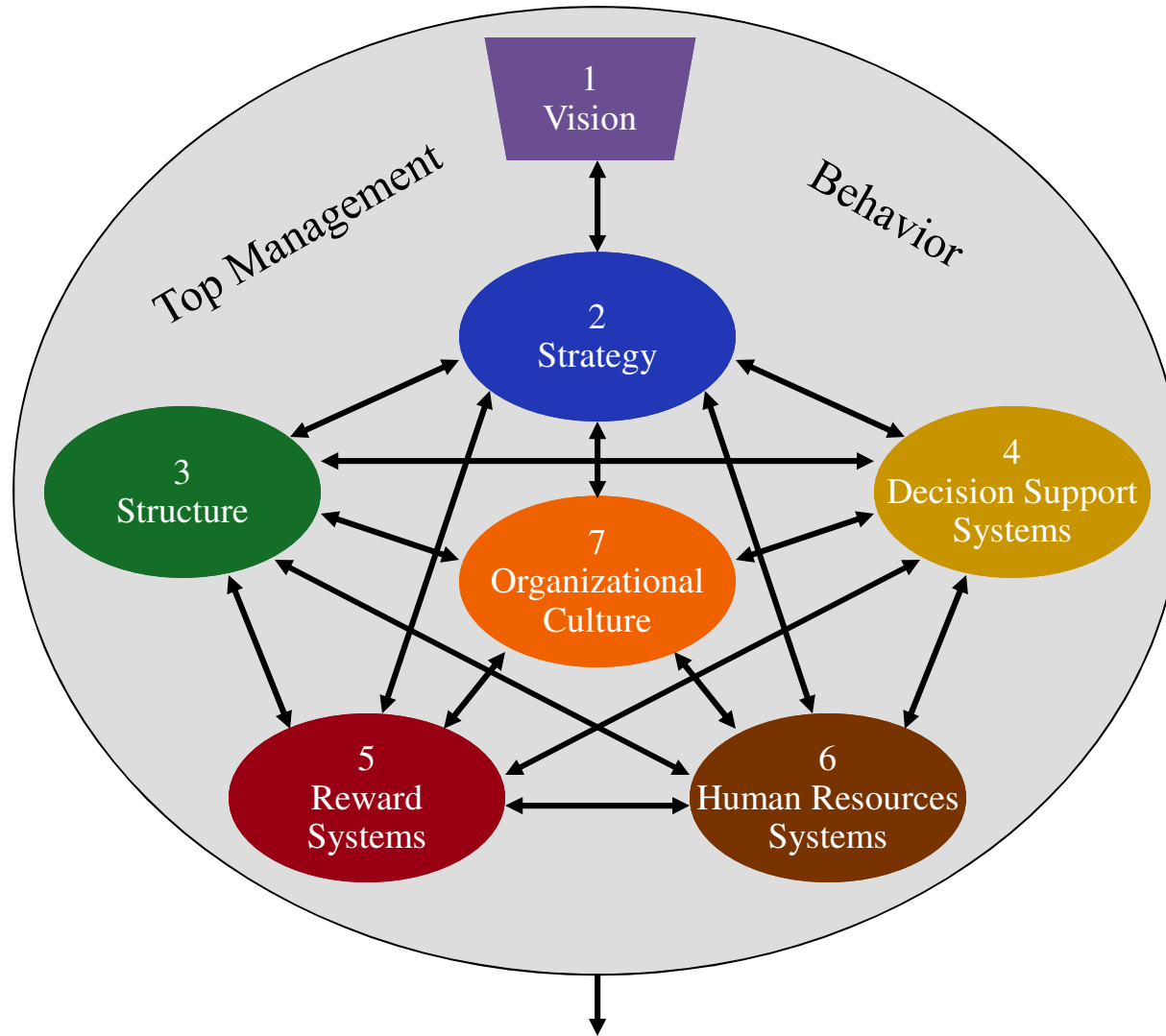
The Strategic Change Cycle



The Strategic Change Cycle



Task 7 – Realigning The Organization's Design



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The Strategic Change Cycle



Questions to Ask So That I Do the Right Things as a Strategic Change Leader

1. Have I created a ***shared urgent need for change*** that my organizational unit understands is critical to the strategic success of the organization? Have I demonstrated that this ***change is linked to our Key Success Factors***?
2. Do I understand the level of ***resistance to and support for change***? How will I reduce resistance and build support?
3. Have I adequately diagnosed the change situation? Have I ***created a shared understanding of the real change issues***?

Questions to Ask So That I Do the Right Things as a Strategic Change Leader (Cont.)

4. Have I developed with my unit a ***shared change vision*** that spells out
 - What specifically are we going to change?
 - What is the strategic rationale for the change?
 - What is the step by step process we are going to follow in implementation?

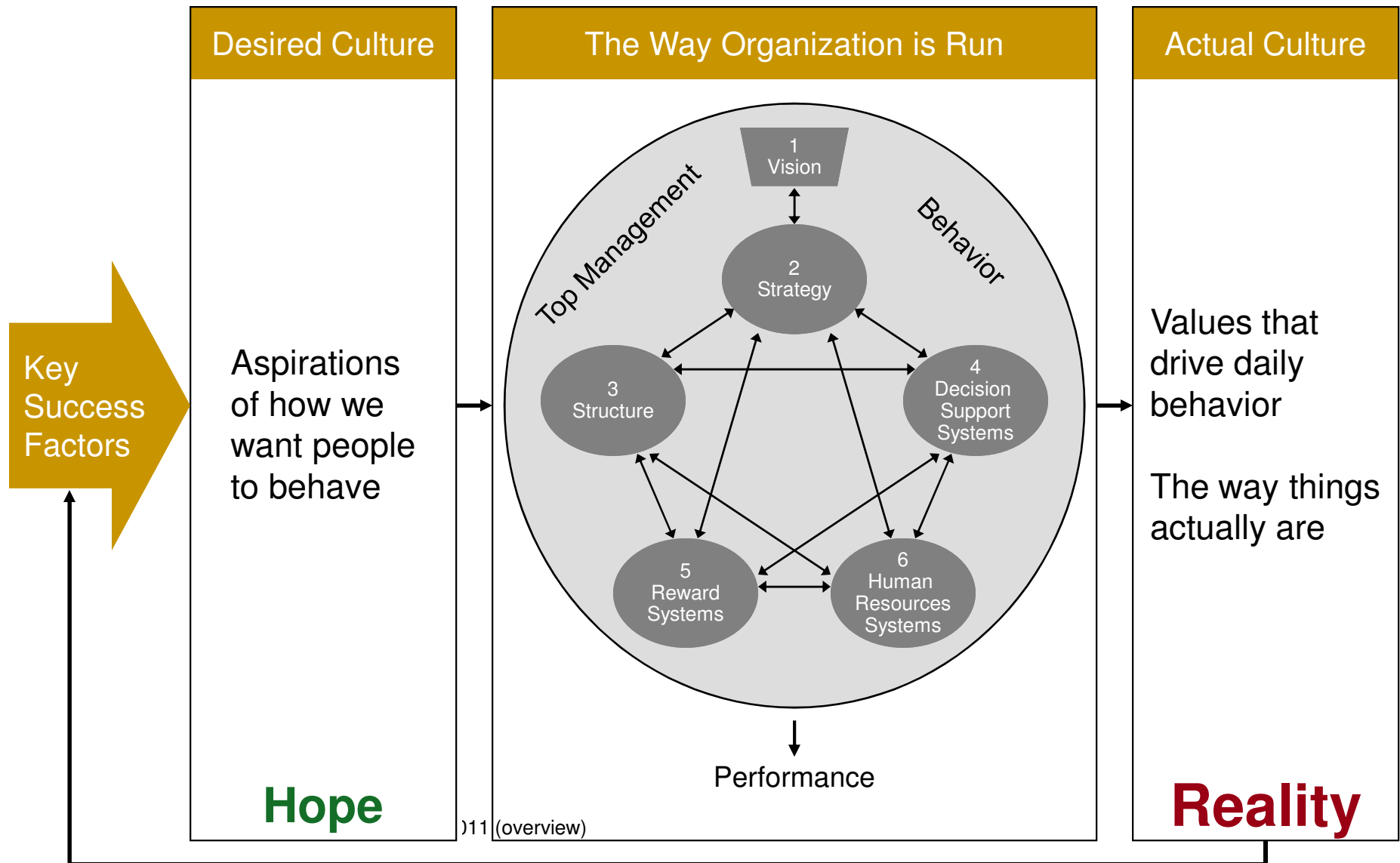
5. Am I doing everything in my power with the people in my unit to ***create a belief that change is possible-***
 - Do they have the change leadership skills?
 - Do they have the necessary resources?
 - Am I creating an environment that supports risk taking?

Questions to Ask So That I Do the Right Things as a Strategic Change Leader (Cont.)

6. Have I gotten *feedback* from those I work with to understand how my behavior *supports/does not support change*?
7. How *does my behavior* as a leader and role model *have to change* to be more supportive of change?
8. Am I doing everything in my power to make sure the organization's design supports the change?

Managing Corporate Culture for Strategic Change

The Way Organization is Run Creates the Culture



Desired Culture vs. Actual Culture

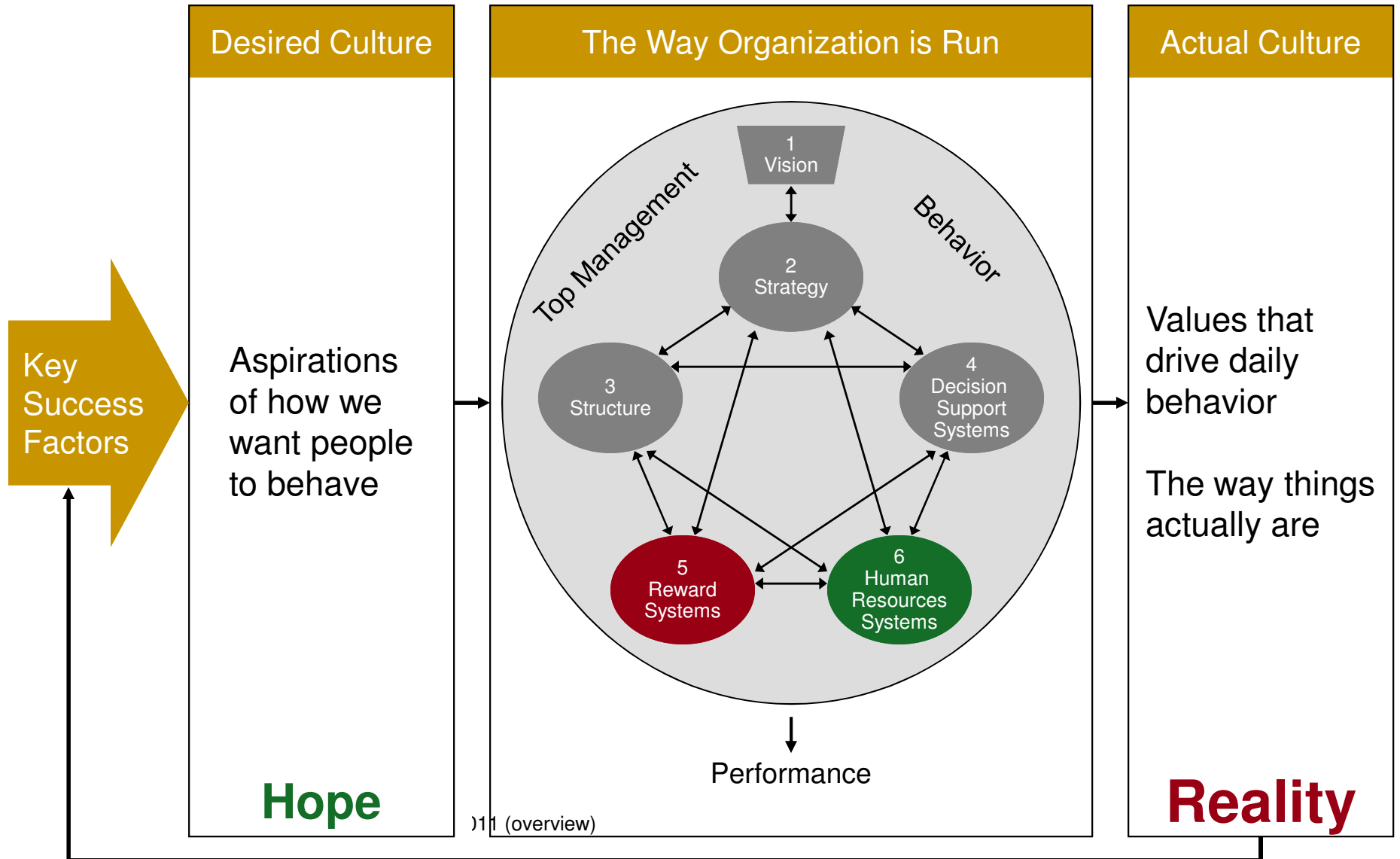
DESIRED CULTURE

1. The aspirations toward which the organization strives. This is what we stand for.
2. The way things *ought* to be.
3. The vision that underlies the mission.

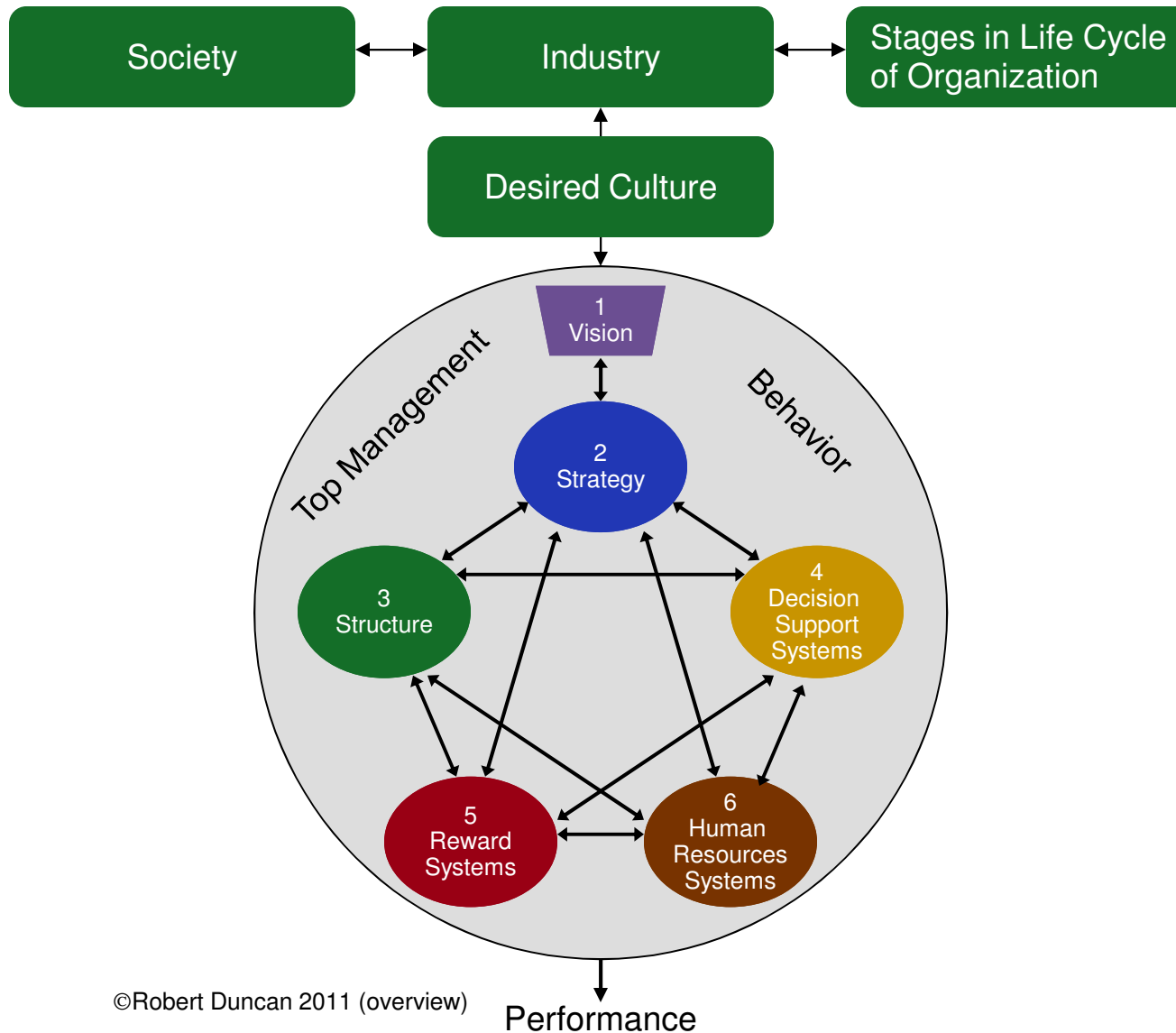
ACTUAL CULTURE

1. Rules about everyday behavior regarding how tasks are performed and relationships are managed.
2. The way things *are* on a daily basis-actual behavior.
3. Convictions that facilitate or constrain action.

The Way Organization is Run Creates the Culture



Determinants of Corporate Culture



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Managing Corporate Culture

1. CEO and top management develop desired culture that supports key success factors and communicate these.
2. **Reinforce desired culture** through the strategy, structure, decision support systems, reward systems, and human resource systems – **HOW YOU RUN THE ORGANIZATION**

Managing Corporate Culture (Con't)

3. Audit daily beliefs of actual corporate culture regarding how tasks and relationships are managed to determine if culture leads to behavior ***consistent*** with desired culture.
4. If actual culture is not consistent with desired culture, then ***organization's design must be changed*** to support desired culture.

Culture Audit Workshop

The purpose of the culture audit workshop is to make sure that your culture is **compatible** with the **key success factors** of your actual business. There are several steps your team will need to work through to accomplish this:

1. Identify the **key success factors** for your business for the next 2-5 years.
2. Identify the culture **desired culture** to perform to the key success factors.
3. Identify your **actual culture**.
4. Identify action steps to **attain** the **desired culture required** to perform to the key success factors.

Cultural Audit

KSFS

REQUIRED CULTURE

ACTUAL CULTURE

ACTION STEPS

Existing

Emerging

Cultural Audit

KSFS

REQUIRED CULTURE

ACTUAL CULTURE

ACTION STEPS

Existing

Solution orientation
– what does the customer want

Increase creativity/innovation

More cross-division collaboration

More risk-taking

Emerging

- customer friendly
- solution oriented
- multi-media

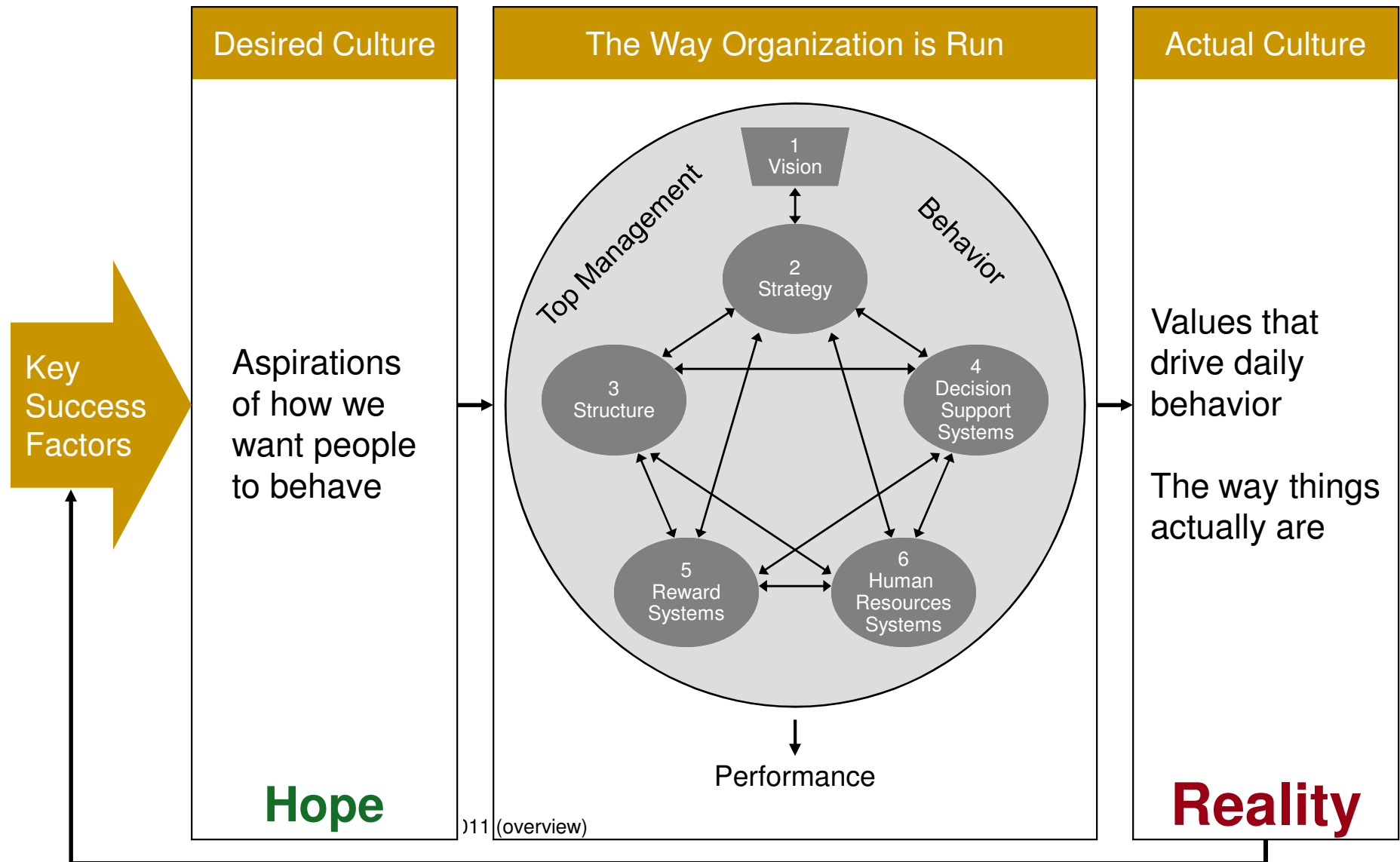
Understand the market
– what do customers want
– what are competitors doing

We need better information
– unfiltered
– brutal focus on reality

Cultural Audit

KSFS	REQUIRED CULTURE	ACTUAL CULTURE	ACTION STEPS
Existing	Solution orientation – what does the customer want	We're technology driven – build it, they will buy it	
	Increase creativity/innovation	We always do things by the book	
	More cross-division collaboration	Protect your own turf – our unit always comes first – us against the rest of the organization	
	More risk-taking	Don't be a risk taker – remember what happened to the pilgrims	
	Understand the market – what do customers want – what are competitors doing	We know best	
Emerging – customer friendly – solution oriented – multi-media	We need better information – unfiltered – brutal focus on reality	Be careful if you are a truth teller – top management doesn't like to hear views that conflict with theirs	

The Way Organization is Run Creates the Culture



Reinforcing Corporate Culture at GE

MANAGER EVALUATION	SHARES THE VALUES OF THE NEW GE	DOES NOT SHARE THE VALUES OF THE NEW GE
DELIVERS ON COMMITMENTS	onward and upward	<p>“whether we can convince and help these managers to change...or part company with them if they cannot will be the ultimate test of our commitment to the transformation of this company and will determine the future of the mutual respect and trust we are building...without leaders who “walk the talk” all of our plans, promises, and dreams for the future are just that - talk”</p>
DOES NOT DELIVER ON COMMITMENTS	gets a second chance preferably in a different environment	not a pleasant call but easy

From: GE Annual Report (1995)

GE's Growth Values That Define Leadership Traits

1. External Focus
Defines success through the customer's eyes. Is in tune with industry dynamics. Sees around corners.
2. Clear Thinker
Seeks simple solutions to complex problems. Is decisive and focused. Communicates clear and consistent priorities.
3. Imagination
Generates new and creative ideas. Is resourceful and open to change. Takes risks on both people and ideas. Displays courage and tenacity.
4. Inclusiveness
Is a team player. Respects other's ideas and contributions. Creates excitement, drives engagement, builds loyalty and commitment.
5. Expertise
Has in-depth domain knowledge and credibility built on experience. Continuously develops self. Loves learning.

Evolution of IBM Values – 1914

1. Respect for the individual.
2. The best customer service.
3. The pursuit of excellence.

Evolution of IBM Values – February 2003

1. Respect.
2. Customer.
3. Excellence.
4. Innovation.

Evolution of IBM Values – July 2003

1. Commitment to the customer.
2. Excellence through innovation.
3. Integrity that earns trust.

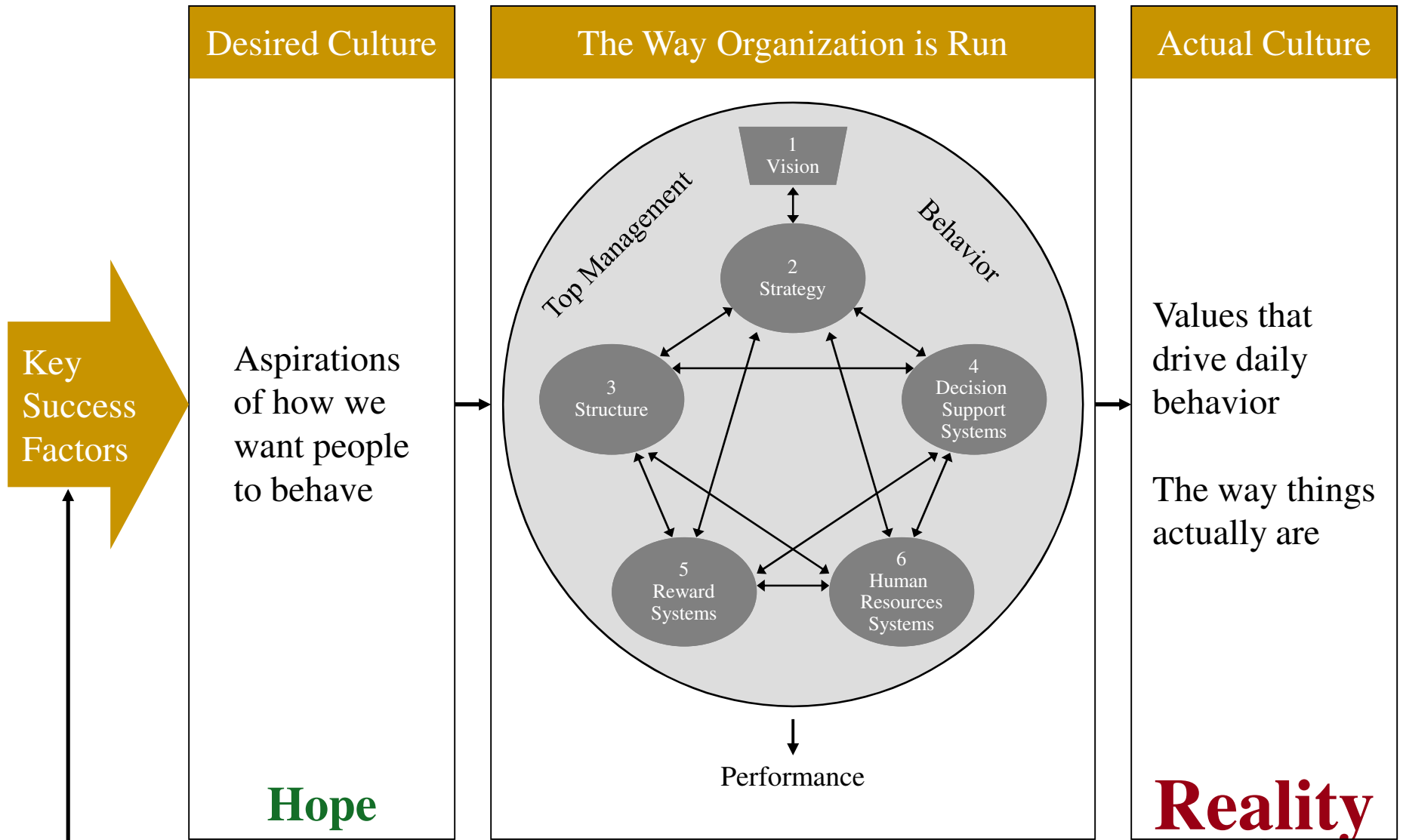
Evolution of IBM Values – November 2003

1. Dedication to every client's success.
2. Innovation that matters—for our company and for the world.
3. Trust and personal responsibility in all relationships.

Questions to Ask So that We Do the Right Things to Develop a Culture that Supports Our Strategy

1. What are the tasks we have to do well-*Key Success Factors*-in my organizational unit if we are going to be successful in developing and implementing a market driven strategy?
2. What are the desired behaviors we want people to exhibit to support the Key Success Factors?
3. Do we really understand our *actual culture*-the rules, values that drive, guide the way people *actually* behave versus how we *hope-wish* they behave?
4. In what ways does our *actual culture support/not support* our Key Success Factors?

The Way Organization Is Run Creates the Culture



Questions to Ask So that We Do the Right Things to Develop a Culture that Supports Our Strategy (Cont.)

5. Have I gotten feedback from those I work with to understand how my behavior *supports/does not support* the desired culture?
6. How does *my behavior* as a leader and role model have to *change* to create the desired culture?
7. What other *organizational design* levers (structure, reward systems, decision support systems, human resource systems) do we have to change to create the desired culture?

What Are the Key Tasks of Leadership?

Leadership Tasks

1. Provide stewardship and **develop an ethical culture** built on integrity and trust.
2. Create a shared **understanding of reality** of issues. Make decisions **based on facts vs. ideology**.
3. Create an environment that **fosters debate** around diverse views, different perspectives.
4. **LISTEN** and be open to new facts.
5. **LEARN** based on accepting the REALITY of the situation; what worked in past may be irrelevant.

Leadership Tasks (Cont.)

6. Develop **GLOBAL** cultural awareness.
7. **Think strategically** about the organization's future.
8. Develop a **shared vision** for what the organization aspires to become.
9. Develop a shared set of corporate **values/culture** to support the vision.
10. **Communicate the vision** and understanding of how organizational members have to perform.

Leadership Tasks (Cont.)

11. **Inspire/motivate** organizational members to implement the shared vision.
12. **Focus on what is best for the organization** vs. it's all about me.
13. **Must be accountable and take personal responsibility for what happens.**
14. **Act as a role model** in the organization.

15. Make **good judgment calls** regarding people, strategy and crises.

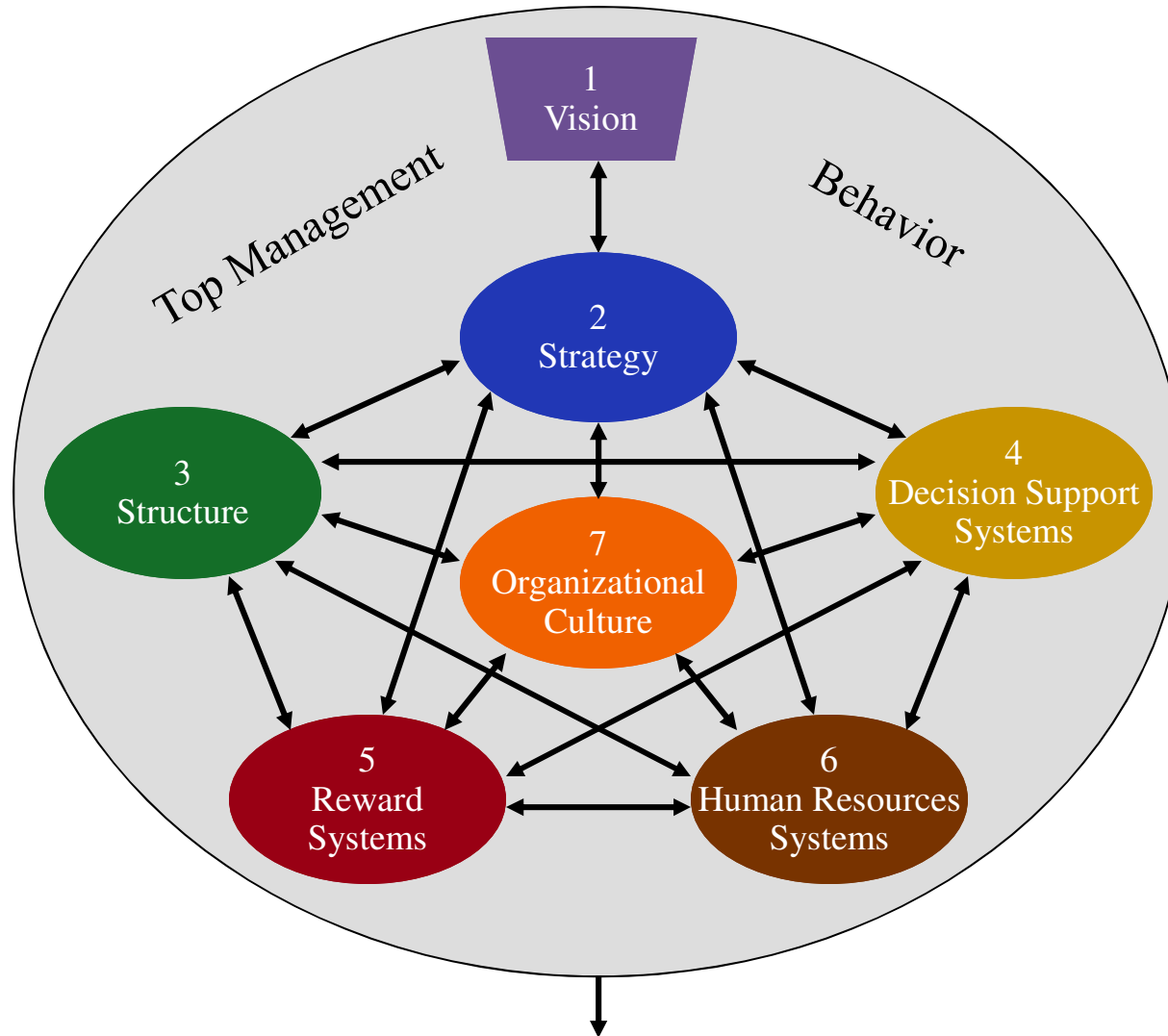
From: "Making Judgment Calls," N. Tichy & W. Bennis, *Harvard Business Review*, Vol. 85, #10 (2007)

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16. Drive the strategic change process so organization can anticipate the marketplace.

17. Understand
integrity and trust
are the only basis
for effective power
and influence.

Leader As Organizational Architect



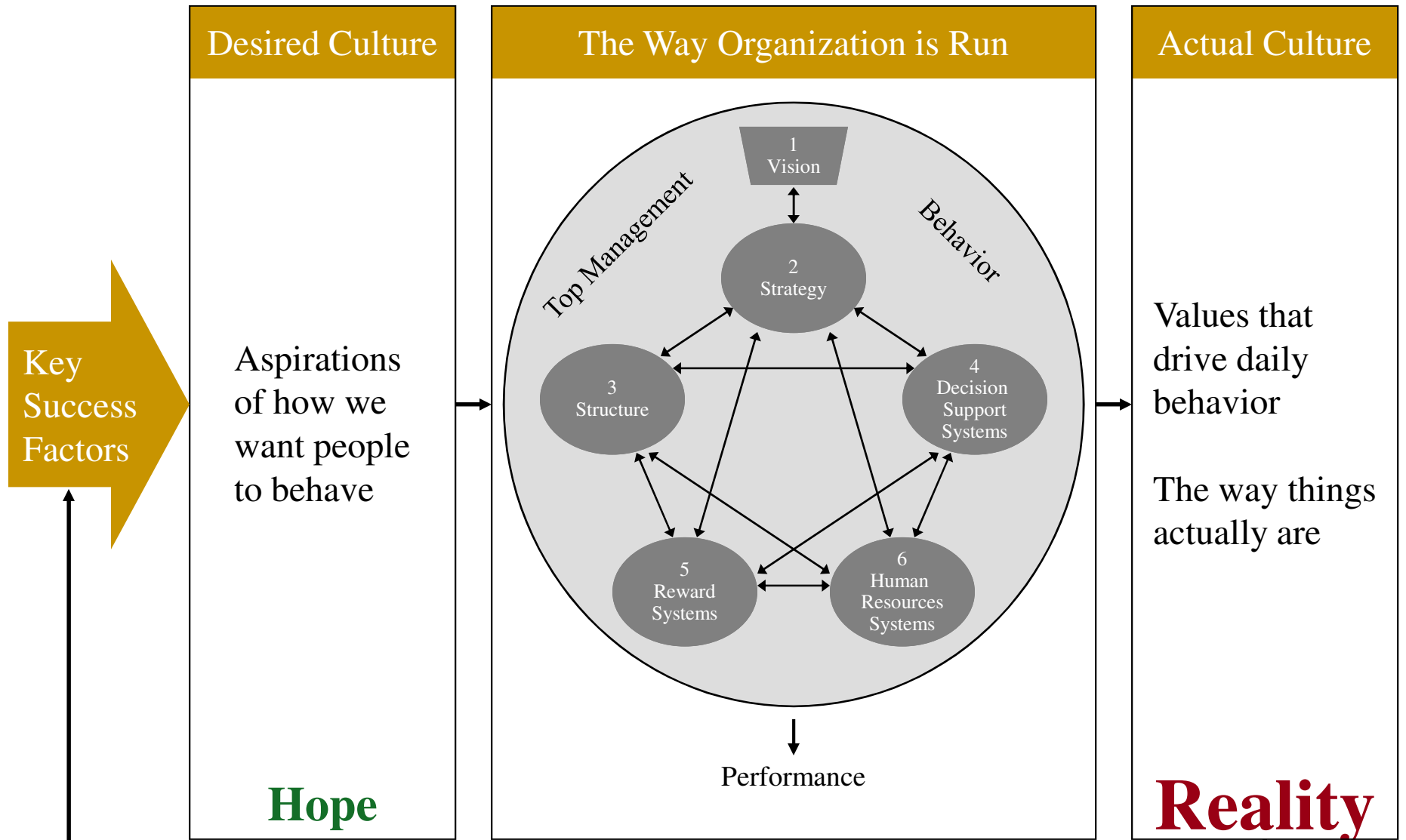
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BEAWARE OF WILFULL BLINDNESS

1. If there is knowledge that you could have had and should have but chose not to have, **you are still responsible**
 2. It's created by big ego-locking away threatening or incompatible ideas, suppressing evidence, rewriting history in service of grand ideas
 3. It's driven by powerful people who are more optimistic, prepared to take bigger risks, and the more isolated they become, the more certain they become that they are right
 4. It's drive by the pressure to conform, to fit in
 5. Money undermines social connection-more money less connected you become to real world
- See *Willful Blindness; Why We Ignore the Obvious at Our Peril*, M . Heffernan, (2011) Walker & Company.

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Leaders Create Cultures that Drive Strategic Behavior



Developing Leaders

The Five Components of Emotional Intelligence at Work

	DEFINITION	HALLMARKS
SELF-AWARENESS	The <i>ability to recognize and understand your moods, emotions, and drives, as well as their effect on others</i>	<ul style="list-style-type: none"> • Self-confidence • Realistic self-assessment • Self-deprecating sense of humor
SELF-REGULATION	<p>The <i>ability to control or redirect</i> disruptive impulses and moods</p> <p>The propensity to suspend judgment—to think before acting</p>	<ul style="list-style-type: none"> • Trustworthiness and integrity • Comfort with ambiguity • Openness to change
MOTIVATION	<p>A passion to work for reasons that go beyond money or status</p> <p>A propensity to pursue goals with energy and persistence</p>	<ul style="list-style-type: none"> • Strong drive to achieve • Optimism, even in the face of failure • Organizational commitment

From: "What Makes A Leader" D. Goleman, *Harvard Business Review* Nov-Dec 1998 pg 95

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The Five Components of Emotional Intelligence at Work (Cont.)

	DEFINITION	HALLMARKS
EMPATHY	<p>The <i>ability to understand</i> the emotional makeup of other people</p> <p>Skill in treating people according to their emotional reactions</p>	<ul style="list-style-type: none"> • Expertise in building and retaining talent • Cross-cultural sensitivity • Service to clients and customers
SOCIAL SKILL	<p>Proficiency in <i>managing relationships</i> and building networks</p> <p>An <i>ability to find common ground</i> and build rapport</p>	<ul style="list-style-type: none"> • Effectiveness in leading change • Persuasiveness • Expertise in building and leading teams

From: "What Makes A Leader" D. Goleman, *Harvard Business Review* Nov-Dec 1998 pg 95

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Executive Intelligence Skills

1. Accomplishing tasks.
2. Working with and through others.
3. Judging oneself.

From: "Hiring for Smarts" J. Menkes, *Harvard Business Review*, Vol. 83, #11, (2005)

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Executive Intelligence Skills: Accomplishing Tasks

1. Appropriately define problem and differentiate essential objectives.
2. Anticipate obstacles and identify means to circumvent.
3. Critically examine the accuracy of assumptions.
4. Articulate the strengths and weaknesses of suggestions and arguments.
5. Recognize what is known about an issue, what more needs to be known and how best to obtain information needed.
6. Identify unintended consequences of plans.

From: "Hiring for Smarts" J. Menkes, *Harvard Business Review*, Vol. 83, #11, (2005)

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Executive Intelligence Skills: Working with Others

1. Recognize conclusions that can be drawn from an exchange.
2. Recognize underlying agendas and motivations of individuals and groups.
3. Anticipate the probable reactions of individuals to actions or communications.
4. Accurately identify the core issues and perspectives central to a conflict.
5. Consider the probable effects and possible unintended consequences that may result from taking a particular course of action.
6. Acknowledge and balance the different needs of all relevant stakeholders.

From: "Hiring for Smarts" J. Menkes, *Harvard Business Review*, Vol. 83, #11, (2005)

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Executive Intelligence Skills: Judging Oneself

1. Pursue feedback and make appropriate adjustments.
2. Recognize personal biases or limitations in perspective.
3. Recognize when serious flaws in ideas or actions require swift acknowledgment of mistakes and a dramatic change in direction.
4. Appropriately articulate the essential flaws in others' arguments and reiterate the strengths in their own positions.
5. Recognize when it is appropriate to resist others' objections and remain committed to a sound course of action.

From: "Hiring for Smarts" J. Menkes, *Harvard Business Review*, Vol. 83, #11, (2005)

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Leadership Capabilities

1. Character
2. Ability
3. Passion
4. Knowledge
5. Management Skills
6. Behavioral Skill

We cannot “teach” all of these. Therefore, we *select* on some of these capabilities and *teach* others in leadership development.

Leadership Capabilities

1. Organizations should *select* on the following:

A. Character

- Integrity
- Honesty
- Trustworthiness

B. Ability

- Intellect
- Social intelligence
- Quick learner-conceptual

C. Passion

- Energy
- Dedication
- Persistence

Leadership Development

1. Organizations can *teach and develop* the following capabilities:

A. Knowledge

- Management & leadership processes
- Broad functional understanding
- Understanding of global economic, technological, & social trends

B. Management Skills

- Problem diagnosis
- Problem solving
- Planning
- Decision making
- Organizational design

2. We can *teach and develop* the following capabilities:

C. Behavioral Skills

- Motivation
- Assessing & developing talent
- Team building
- Resolving conflict
- Implementing change

HOW THE MIGHTY FALL & WHY SOME COMPANIES NEVER GIVE IN

Jim Collins (2009) Harper Collins

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How The Mighty Fall – J. Collins

THE FIVE STAGES OF DECLINE

STAGE 1

Hubris Born of Success

STAGE 2

Undisciplined Pursuit of More

STAGE 3

Denial of Risk & Peril

STAGE 4

Grasping for Salvation

STAGE 5

Capitulation to Irrelevance or Death

How The Mighty Fall – J. Collins

THE FIVE STAGES OF DECLINE

STAGE 1

Hubris Born of Success

MARKERS

1. **Success, entitlement & arrogance**
2. **Neglect of what capabilities got you to be successful**
3. **“What” replaces “Why” lose focus on understanding why we were successful in first place**
4. **Decline in learning orientation**
5. **Discount role of luck**

(Collins p.43)

How The Mighty Fall – J. Collins

THE FIVE STAGES OF DECLINE

STAGE 2

Undisciplined Pursuit of More

MARKERS

1. Unsustainable quest for growth
2. Undisciplined discontinuous leaps
3. Declining proportion of right people in key seats
3. Easy cash erodes cost discipline
4. Bureaucracy subverts discipline
5. Problematic succession of power

(Collins p.63)

How The Mighty Fall – J. Collins

THE FIVE STAGES OF DECLINE

STAGE 3

Denial of Risk & Peril

MARKERS

1. Amplify the positive & discount the negative
2. Big bets & bold goals **without empirical validation**
3. Incurring huge downside **risk based on ambiguous data**
4. Erosion of healthy team dynamics
5. Externalizing blame
6. Obsessive reorganizations

(Collins p. 81)

How The Mighty Fall – J. Collins

THE FIVE STAGES OF DECLINE

STAGE 4

Grasping for Salvation

MARKERS

1. A series of silver bullets
2. Grasping for leader-as-savior
3. Panic & haste
4. Radical change & “revolution” with fanfare
5. Hype precedes results
6. Initial upswing followed by disappointments
7. Confusion & cynicism
8. Chronic restructuring & erosion of financial strength

(Collins p.101)

How The Mighty Fall – J. Collins

THE FIVE STAGES OF DECLINE

STAGE 5

Capitulation to Irrelevance or Death

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STAGE 1

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