CHAPTER 5

Secure Early Wins

When Elena Lee was promoted to head customer service at a leading retailer, she was tasked with improving slumping customer satisfaction. She also was determined to change the authoritarian leadership culture exemplified by her predecessor. Before her promotion, Elena had been responsible for the highest-performing call center in the same organization, so she knew a lot about the problems other units had been facing with quality of service. Convinced that she could dramatically improve performance through more employee participation, she saw cultural change as a top priority.

Elena began by communicating her goals to her former peers, now direct reports—the leaders of the company's call centers across the globe. In a series of team calls and 1:1 meetings, she laid out her quality improvement goals and vision for a more participative, problem-solving culture. These early overtures generated little obvious reaction.

Next, she initiated weekly meetings with each of the call center managers to review unit performance and discuss how they were working to improve it. Elena stressed that "the punishment culture is a thing of the past" and that she expected managers to coach employees. Cases involving significant disciplinary measures, she said, should be referred (on an interim basis) directly to her for review.

Over time Elena learned which center managers were getting with the program and which ones were continuing to be punitive. She then conducted formal performance reviews and put two of the worst offenders on performance-improvement plans. One left almost immediately; she replaced him with a high-potential supervisor from the center she had run. Although it took some time, the other manager shaped up acceptably.

Meanwhile, Elena focused on a critical aspect of the business: evaluation of customer satisfaction and improvement in quality of service. She appointed her best unit leader to lead a team of promising frontline managers and tasked them with producing a plan to introduce new metrics and supporting performance feedback and improvement processes. She also engaged a consultant to advise the managers on how to pursue this project, and she regularly reviewed their progress. When the team presented recommendations, she promptly implemented them on a pilot basis in the unit previously overseen by the departed supervisor.

By the end of her first year, Elena had extended the new approach throughout the organization. Customer service had improved substantially, and climate surveys revealed striking improvements in morale and employee satisfaction.

Elena succeeded in quickly creating momentum and building personal credibility by securing early wins.[1] By the end of the first few months, you want your boss, your peers, and your subordinates to feel that something new, something good, is happening. Early wins excite and energize people and build your personal credibility. Done well, they help you create value for

your new organization earlier and reach the break-even point much more quickly.

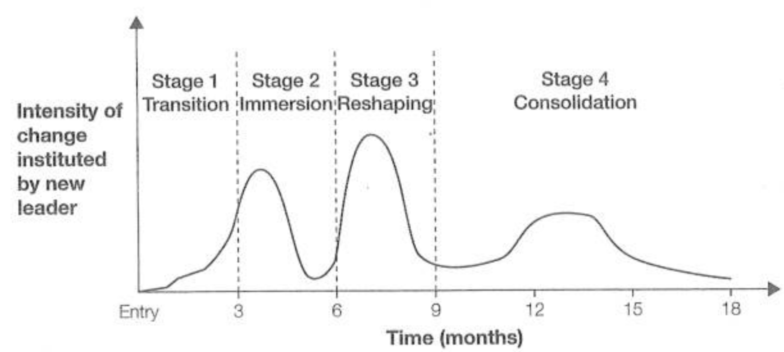
Making Waves

A seminal study of executives in transition found that they plan and implement change in distinct waves, as illustrated in figure 5-1.[2] Following an early period of focused learning, these leaders begin an early wave of changes. The pace then slows to allow consolidation and deeper learning about the organization, and to allow people to catch their breath. Armed with more insight, these executives then implement deeper waves of change. A final, less extreme wave focuses on fine-tuning to maximize performance. By this point, most of these leaders are ready to move on.

This research has direct implications for how you should manage your transition. It suggests that you should keep your ends clearly in mind when you devise your plan to secure early wins. The transition lasts only a few months, but you typically will

FIGURE 5-1

Waves of change



remain in the same job for two to four years before moving on to a new position. To the greatest extent possible, your early wins should advance longer-term goals.

Plan Your Waves

In planning for your transition (and beyond), focus on making successive waves of change. Each wave should consist of distinct phases: learning, designing the changes, building support, implementing the changes, and observing results. Thinking in this way can release you to spend time up front to learn and prepare, and afterward to consolidate and get ready for the next wave. If you keep changing things, it is impossible to figure out what is working and what is not. Unending change is also a surefire recipe for burning out your people.

The goal of the first wave of change is to secure early wins. The new leader tailors early initiatives to build personal credibility, establish key relationships, and identify and harvest low-hanging fruit—the highest-potential opportunities for short-term improvements in organizational performance. Done well, this strategy helps the new leader build momentum and deepen his own learning.

The second wave of change typically addresses more fundamental issues of strategy, structure, systems, and skills to reshape the organization; deeper gains in organizational performance are achieved. But you will not get there if you don't secure early wins in the first wave.

Starting with the Goal

Leaders in transition understandably are eager to get things moving. Thus, they naturally tend to focus on the problems that are easiest to fix quickly. This tactic is fine, up to a point. But be

careful not to fall into the *low-hanging fruit trap*. This trap catches leaders when they expend most of their energy seeking early wins that don't contribute to achieving their longer-term business objectives. It's like trying to launch a rocket into orbit with nothing except a very big first stage; the risk is great that you'll fall back to earth once the initial momentum fades. The implication: when you're deciding where to seek early wins, you may have to forgo some of the low-hanging fruit and reach higher in the tree.

As you strive to create momentum, therefore, keep in mind that your early wins must do double duty: they must help you build momentum in the short term *and* lay a foundation for achieving your longer-term business goals. So be sure that your plans for securing early wins, to the greatest extent possible, (1) are consistent with your agreed-to goals—what your bosses and key stakeholders expect you to achieve—and (2) help you introduce the new patterns of behavior you need to achieve those goals.

Focus on Business Priorities

The goals you have agreed to with your boss and other key stakeholders are the destination you're striving to reach in measurable business objectives. Examples are double-digit annual profit growth; a dramatic cut in defects and rework; or completion of a key project by an agreed-to deadline. For Elena, her number 1 priority was to make significant improvements in customer satisfaction. The point is to define your goals so that you can lead with a distinct end point in mind.

Identify and Support Behavioral Changes

Your agreed-to goals are the destination, but the behavior of people in your organization is a key part of how you do (or don't) get there. Put another way, if you are to achieve your goals in the allotted time, you may have to change dysfunctional patterns of behavior.

Start by identifying the unwanted behaviors; for example, Elena wanted to reduce the fear and disempowerment in her organization. Then work out, as Elena did, a clear vision of how you would like people to behave by the end of your tenure in the job, and plan how your actions in pursuit of early wins will advance the process. What behaviors do people consistently display that undermine the potential for high performance? Take a look at table 5-1, which lists some problematic behavior patterns, and then summarize your thoughts about the behaviors you would like to change.

TABLE 5-1

Problematic behavior patterns

Lack of...	Symptoms
Focus	• The group can't clearly define its priorities, or it has too many priorities. • Resources are spread too thin, leading to frequent crises and firefighting. People are rewarded for their ability to put out fires, not for devising enduring solutions.
Discipline	• People exhibit great variation in their levels of performance. • Employees don't understand the negative consequences of inconsistency. • People make excuses when they fail to meet commitments.
Innovation	• The group uses internal benchmarks to measure performance. • Improvements in products and processes unfold slowly and incrementally. • Employees are rewarded for maintaining stable performance, not for pushing the envelope.
Teamwork	• Team members compete with one another and protect turf rather than work together to achieve collective goals. • People are rewarded for creating fiefdoms.
Sense of urgency	• Team members ignore the needs of external and internal customers. • Complacency reigns, revealed in beliefs such as, "We're the best and always have been" and "It doesn't matter if we respond immediately; it won't make any difference."

Adopting Basic Principles

It's crucial to get early wins, but it's also important to secure them in the right way. Above all, of course, you want to avoid early losses, because it's tough to recover once the tide is running against you. Here are some basic principles to consider.

- **Focus on a few promising opportunities.** It's easy to take on too much during a transition, and the results can be ruinous. You cannot hope to achieve results in more than a couple of areas during your transition. Thus, it's essential to identify the most promising opportunities and then focus relentlessly on translating them into wins. Think of it as risk management: pursue enough focal points to have a good shot at getting a significant success, but not so many that your efforts get diffused.

- **Get wins that matter to your boss.** It's essential to get early wins that energize your direct reports and other employees. But your boss's opinion about your accomplishments is crucial too. Even if you do not fully endorse her priorities, you must make them central in thinking through which early wins you will aim for. Addressing problems that your boss cares about will go a long way toward building credibility and cementing your access to resources.

- **Get wins in the right ways.** If you achieve impressive results in a manner that is seen as manipulative, underhanded, or inconsistent with the culture, you're setting yourself up for trouble. If Elena had gotten her key wins by being punitive, it would have undercut the larger objective she was trying to achieve. An early win that is accomplished in a way that exemplifies the behavior you hope to instill in your new organization is a double win.

- **Take your STARS portfolio into account.** What constitutes an early win differs dramatically from one STARS business situation to another. Simply getting people to talk about the organization and its challenges can be a big accomplishment in a realignment, but it's a waste of time in a turnaround. So think hard about what will build momentum best in each part of your portfolio. Will it be a demonstrated willingness to listen and learn? Will it be rapid, decisive calls on pressing business issues?
- **Adjust for the culture.** In some organizations, a win must be a visible individual accomplishment. In others, individual pursuit of glory, even if it achieves good results, is viewed as grandstanding and destructive of teamwork. In team-oriented organizations, early wins could come in the form of leading a team in the development of a new product idea or being viewed as a solid contributor and team player in a broader initiative. Be sure you understand what is and is not viewed as a win, especially if you're onboarding into the organization.

Identifying Your Early Wins

Armed with (and guided by) an understanding of your goals and objectives for behavior change, you can identify where you will seek early wins. You should think about what you need to do in two phases: building personal credibility in roughly the first 30 days, and deciding which projects you will launch to achieve early performance improvements beyond that. (The actual time frames will of course depend on the situation.)

Understand Your Reputation

When you arrive, people will rapidly begin to assess you and your capabilities. In part, this evaluation will be based on what people think they already "know" about you. You can be sure people have talked to people who have talked to people who have worked with you in the past. So like it or not, you will start your role with a reputation, deserved or not. The risk, of course, is that your reputation will become reality, because people tend to focus on information that confirms their beliefs and screen out information that doesn't—the so-called *confirmation bias*.[3] The implication is that you need to figure out what role people are expecting you to play and then make an explicit decision about whether you will reinforce these expectations or confound them.

Elena's situation—leading former peers—is a special case in which people in the organization knew her, but in a different, more junior role. The risk for her was that they would expect her to be the same in her new role. So her job was to figure out ways to change how people perceived her. The broader challenges of leading former peers are summarized in the box "Leading Former Peers."

Leading Former Peers

To meet the classic challenges of moving from peer to boss, you should adopt the following principles:

- **Accept the fact that relationships must change.** An unfortunate price of promotion is that personal relationships with former peers must become less so. Close personal relationships are rarely compatible with effective supervisory ones.

- **Focus early on rites of passage.** The first days are about symbolism more than substance. So focus on rites of passage can help establish you in your new role—for example, having your new boss introduce you to your team and pass the baton.
- **Reenlist your (good) former peers.** For every leader who gets promoted, there are other ambitious souls who wanted the job but didn't get it. So recognize that disappointed competitors will go through stages of adjustment. Focus on figuring out who can work for you and who can't.
- **Establish your authority deftly.** You must walk the knife's edge between over- and underasserting yourself. It can be effective to adopt a consult-and-decide approach when dealing with critical issues until former peers get used to making the calls, as long as you don't make uninformed decisions.
- **Focus on what's good for the business.** From the moment your appointment is announced, some former peers will be straining to discern whether you will play favorites or will seek to advance political agendas at their expense. One antidote is to adopt a relentless, principled focus on doing what is right for the business.

Build Credibility

In your first few weeks in your new job, you cannot hope to have a measurable impact on performance, but you can score small victories and signal that things are changing. Think of this as an effort to secure early, early wins by building your personal credibility.

Your credibility, or lack of it, will depend on how people would answer the following questions about you:

- Do you have the insight and steadiness to make tough decisions?
- Do you have values that they relate to, admire, and want to emulate?
- Do you have the right kind of energy?
- Do you demand high levels of performance from yourself and others?

For better or worse, they will begin to form opinions based on little data. Your early actions, good and bad, will shape perceptions. Once opinion about you has begun to harden, it is difficult to change. And the opinion-forming process happens remarkably quickly.

So how do you build personal credibility? In part, it's about marketing yourself effectively, much akin to building equity in a brand. You want people to associate you with attractive capabilities, attitudes, and values. There's no single right answer for how to do this. In general, though, new leaders are perceived as more credible when they display these characteristics:

- **Demanding but able to be satisfied.** Effective leaders get people to make realistic commitments and then hold them responsible for achieving results. But if you're never satisfied, you'll sap people's motivation. Know when to celebrate success and when to push for more.
- **Accessible but not too familiar.** Being accessible does not mean making yourself available indiscriminately. It means being approachable, but in a way that preserves your authority.

- **Decisive but judicious.** New leaders communicate their capacity to take charge, perhaps by rapidly making some low-consequence decisions, without jumping too quickly into decisions that they aren't ready to make. Early in your transition, you want to project decisiveness but defer some decisions until you know enough to make the right calls.
- **Focused but flexible.** Avoid setting up a vicious cycle and alienating others by coming across as rigid and unwilling to consider multiple solutions. Effective new leaders establish authority by zeroing in on issues but consulting others and encouraging input. They also know when to give people the flexibility to achieve results in their own ways.
- **Active without causing commotion.** There's a fine line between building momentum and overwhelming your group or unit. Make things happen, but avoid pushing people to the point of burnout. Learn to pay attention to stress levels and pace yourself and others.
- **Willing to make tough calls but humane.** You may have to make tough calls right away, including letting go of marginal performers. Effective new leaders do what needs to be done, but they do it in ways that preserve people's dignity and that others perceive as fair. Keep in mind that people watch not only what you do but also how you do it.

Plan to Engage

Because your earliest actions will have a disproportionate influence on how you're perceived, think through how you will get connected to your new organization in the first few days in your new role. What messages do you want to get across about who you are and what you represent as a leader? What are the best ways to convey those messages? Identify your key audiences—direct reports, other employees, key outside constituencies—and craft a few messages tailored to each. These need not be about what you plan to do; that's premature. They should focus instead on who you are, the values and goals you represent, your style, and how you plan to conduct business.

Think about modes of engagement, too. *How* will you introduce yourself? Should your first meetings with direct reports be one-on-one or in a group? Will these meetings be informal get-to-know-you sessions, or will they immediately focus on business issues and assessment? What other channels, such as e-mail and video, will you use to introduce yourself more widely? Will you have early meetings at other locations where your organization has facilities?

As you make progress in getting connected, identify and act as quickly as you can to remove minor but persistent irritants. Focus on strained external relationships, and begin to repair them. Cut out redundant meetings, shorten excessively long ones, or improve problems with physical work spaces. All this helps you build personal credibility early on.

Finally, keep in mind that effective learning builds personal credibility. It's never a bad thing to be seen as genuinely committed to understanding your new organization. It helps immunize you against the perception that you have come in with your mind made up about the organization's problems and have "the" answer. An early, visible focus on learning signals to the organization that you understand it has a unique history and dynamics. Of course, it's important that you also be seen as a quick study and not, as was said of one president, that you have "a learning curve as flat as Kansas."[4] Know, too, when to shift the emphasis from learning to decision and action.

Write Your Own Story

Your actions during your first few weeks inevitably will have a disproportionate impact, because they are as much about symbolism as about substance. Early actions often get transformed into stories, which can define you as hero or villain. Do you take the time to informally introduce yourself to the support staff, or do you focus only on your boss, peers, and direct reports? Something as simple as this action can help brand you as either accessible or remote. How you introduce yourself to the organization, how you treat support staff, how you deal with small irritants—all these pieces of behavior can become the kernels of stories that circulate widely.

To nudge your mythology in a positive direction, look for and leverage *teachable moments*. These are actions—such as the way Elena dealt with recalcitrant supervisors—that clearly display what you're about; they also model the kinds of behavior you want to encourage. They need not be dramatic statements or confrontations. They can be as simple, and as hard, as asking the penetrating question that crystallizes your group's understanding of a key problem the members are confronting.

Launch Early-Win Projects

Building personal credibility and developing some key relationships help you get immediate wins. Soon, however, you should identify opportunities to get quick, tangible performance improvement in the business. The best candidates are problems you can tackle quickly with modest expenditures and will yield visible operational and financial gains. Examples include bottlenecks that restrict productivity and incentive programs that undermine performance by causing conflict.

Identify three or four key areas, at most, where you will seek to achieve rapid improvement. Use the early wins evaluation tool in table 5-2 to gauge the potential. But keep in mind that if you take on too many initiatives, you risk losing focus. Think about risk management: build a promising portfolio of early-win initiatives

TABLE 5-2

Early wins evaluation tool

This tool helps you assess the potential of candidate focal points for getting early wins. Complete one for each candidate focal point, carefully answering the evaluation questions. Then total the scores for the evaluation question, and use the result as a rough indicator of the potential.

CANDIDATE EARLY WIN ____________________

For each of the following questions, circle the response that best describes the potential.

	Not at all	To a small extent	Somewhat	To a significant extent	To a great extent
Does the focal point offer an opportunity to make a substantial improvement in the performance of your unit?	0	1	2	3	4
Is this improvement achievable in a reasonably short time with available resources?	0	1	2	3	4
Would success also help lay the foundation for achieving agreed-to business goals?	0	1	2	3	4
Will the process used to achieve the win help you make needed changes in behavior in the organization?	0	1	2	3	4

Now total the numbers that you circled, and fill in that number here: ________

The result will be a number between 0 and 16 that is a rough measure you can use to compare the attractiveness of candidate focal points. Use common sense in interpreting these numbers. If the candidate scores 0 on the first question, for example, it doesn't matter if it scores 4's on all the others.

so that big successes in one will balance disappointments in others. Then focus relentlessly on getting results.

To set the stage for securing early wins, make sure your learning agenda specifically addresses how you will identify promising opportunities for improvement. Then translate your goals into specific projects to secure early wins, using the following guidelines:

- **Keep your long-term goals in mind.** Your actions should, to the greatest extent possible, serve your agreed-to business goals and supporting objectives for behavior change.
- **Identify a few promising focal points.** Focal points are areas or processes (such as the customer service processes for Elena) in which improvement can dramatically strengthen the organization's overall operational or financial performance. Concentration on a few focal points will help you reduce the time and energy needed to achieve tangible results. And success in improving performance early in these areas will win you freedom and space to pursue more extensive changes.
- **Launch early-win projects.** Manage your early-win initiatives as projects, targeted at your chosen focal points. This is what Elena did when she appointed a team to improve customer service in her new position.
- **Elevate change agents.** Identify the people in your new unit, at all levels, who have the insight, drive, and incentives to advance your agenda. Promote them or appoint them to lead key projects, as Elena did.
- **Leverage the early-win projects to introduce new behaviors.** Your early-win projects should serve as models of how you want your organization, unit, or group to function in the future. Elena understood this when she engaged a consultant to help the team use the right methods to pursue the project so they could learn how best to do this.

Use the project planning template in table 5-3 to plan projects with maximum impact.

TABLE 5-3

FOGLAMP project checklist

FOGLAMP is an acronym for focus, oversight, goals, leadership, abilities, means, and process. This tool can help you cut through the haze and plan your critical projects. Complete the table for each early-win project you set up.

Project: ______________

Question	Answer
Focus: What is the focus for this project? For example, what goal or early win do you want to achieve?	
Oversight: How will you oversee this project? Who else should participate in oversight to help you get buy-in for implementing results?	
Goals: What are the goals and the intermediate milestones and time frames for achieving them?	
Leadership: Who will lead the project? What training, if any, do they need in order to be successful?	
Abilities: What mix of skills and representation needs to be included? Who needs to be included because of their skills? Because they represent key constituencies?	
Means: What additional resources, such as facilitation, does the team need to be successful?	
Process: Are there change models or structured processes you want the team to use? If so, how will they become familiar with the approach?	

Leading Change

As you work out where to get your early wins, think, too, about how you will make change happen in your organization. Keep in mind there is no one best way to lead change; the best approaches depend on the situation. For example, approaches that work well in turnarounds, where there already is a sense of urgency, can fail miserably in realignments, where many people may be in denial about the need for change. So stay open to the possibility that you will lead change differently in different parts of your STARS portfolio.

Planning Versus Learning

Once you've identified the most important problems or issues you need to address, the next step is to decide whether to engage in planned change or collective learning.[5]

The straightforward plan-then-implement approach to change works well when you're sure you have the following key supporting planks in place:

- **Awareness.** A critical mass of people is aware of the need for change.
- **Diagnosis.** You know what needs to be changed and why.
- **Vision.** You have a compelling vision and a solid strategy.
- **Plan.** You have the expertise to put together a detailed plan.
- **Support.** You have sufficiently powerful alliances to support implementation.

This approach often works well in turnaround situations—for example, where people accept there is a problem, the fixes are more technical than cultural or political, and people are hungry for a solution.

If any of these five conditions is not met, however, the pure planning approach to change can get you into trouble. If you're in a realignment, for example, and people are in denial about the need for change, they're likely to greet your plan with stony silence or active resistance. You may therefore need to build awareness of the need for change. Or you may need to sharpen the diagnosis of the problem, create a compelling vision and strategy, develop a solid cross-functional implementation plan, or create a coalition in support of change.

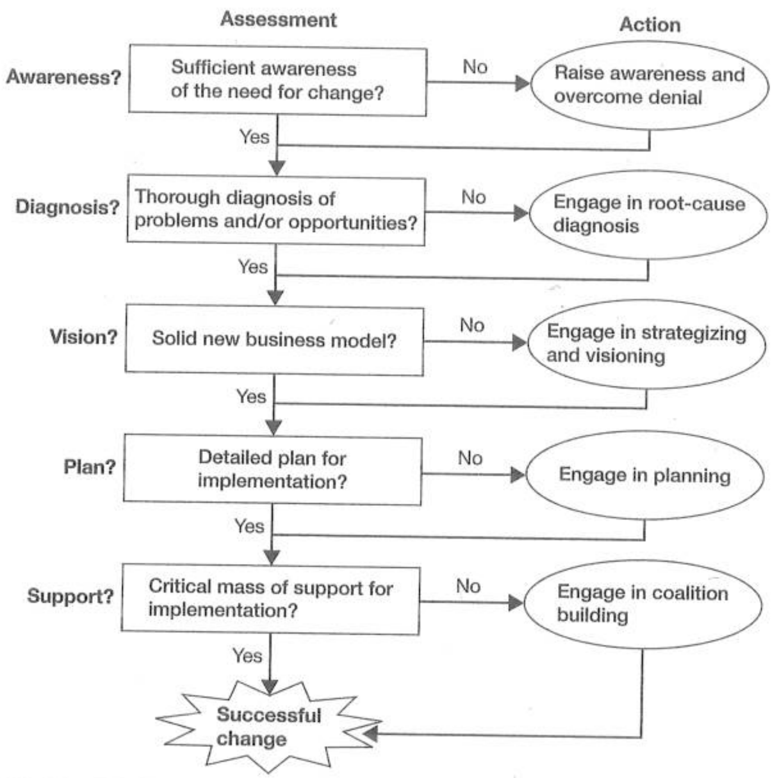
To accomplish any of these goals, you would be well advised to focus on setting up a collective learning process and not on developing and imposing change plans. If many people in the organization are willfully blind to emerging problems, for example, you must put in place a process to pierce this veil. Rather than mount a frontal assault on the organization's defenses, you should engage in something akin to guerrilla warfare, slowly chipping away at people's resistance and raising their awareness of the need for change.

You can do this by exposing key people to new ways of operating and thinking about the business, such as new data on customer satisfaction and competitive offerings. Or you can do some benchmarking of best-in-class organizations, getting the group to analyze how your best competitors perform. Or you can persuade people to envision new approaches to doing things—for example, by scheduling an off-site meeting to brainstorm about key objectives or ways to improve existing processes.

The key, then, is to figure out which parts of the change process can be best addressed through planning, and which are better dealt with through collective learning. Think of a change you want to make in your new organization. Now use the diagnostic flow chart in figure 5-2 to figure out where planning and learning processes are likely to be important to your success.

FIGURE 5-2

Diagnostic framework for managing change



Get Started on Behavior Change

As you plan to get early wins, remember that the means you use are as important as the ends you achieve. The initiatives you put in place to get early wins should do double duty by establishing new standards of behavior. Elena did this when she carefully staffed and coached her project team and then quickly implemented its recommendations.

To change your organization, you will likely have to change its culture. This is a difficult undertaking. Your organization may have well-ingrained bad habits that you want to break. But we know how difficult it is for one person to change habitual patterns in any significant way, never mind a mutually reinforcing collection of people.

Simply blowing up the existing culture and starting over is rarely the right answer. People—and organizations—have limits on the change they can absorb all at once. And organizational cultures invariably have virtues as well as faults; they provide predictability and can be sources of pride. If you send the message that there is nothing good about the existing organization and its culture, you will rob people of a key source of stability in times of change. You also will deprive yourself of a potential wellspring of energy you could tap to improve performance.

The key is to identify both the good and the bad elements of the existing culture. Elevate and praise the good elements even as you seek to change the bad ones. These functional aspects of the familiar culture are a bridge that can help carry people from the past to the future.

Match Strategy to Situation

The choice of behavior-change techniques should be a function of your group's structure, processes, skills, and—above all—situation. Consider again the difference between turnaround and realignment situations. In a turnaround, you face a combination of time pressure and the need to rapidly identify and secure the defensible core of the business. Often, techniques such as bringing in new people from the outside and setting up project teams to pursue specific performance-improvement initiatives are a good fit. Contrast this with realignments, where you are well advised to start with less obvious approaches to behavior change. By changing performance measures and starting benchmarking, for example, you set the stage for collectively creating a vision for realigning the business.

Avoiding Predictable Surprises

Finally, all your efforts to secure early wins could come to naught if you don't pay attention to identifying ticking time bombs and preventing them from exploding in your face. If they do explode, your focus will instantly shift to continuous firefighting, and your hopes for systematically getting established and building momentum will fly out the window.

Some bolts from the blue really do come out of the blue. When this happens, you must grit your teeth and mount the best crisis response you can. But far more often, new leaders are taken off track by predictable surprises. These are situations in which people have all the information necessary to recognize and defuse a time bomb but fail to do so.[6]

This often happens because the new leader simply doesn't look in the right places or ask the right questions. As mentioned earlier, we all have preferences about the types of problems we like to work on and those we prefer to avoid or don't feel competent to address. But you need to discipline yourself either to dig into areas where you're not fully comfortable or to find trustworthy people with the necessary expertise to do so.

Another reason for predictable surprises is that different parts of the organization have different pieces of the puzzle, but no one puts them together. Every organization has its information silos. If you don't put processes in place to make sure critical information is surfaced and integrated, then you're putting yourself at risk of being predictably surprised.

Use the following set of questions to identify areas where potential problems may be lurking:

- **The external environment.** Could trends in public opinion, government action, or economic conditions precipitate major problems for your unit? Examples include a change in government policy that favors competitors or unfavorably influences your prices or costs; a major shift in public opinion about the health or safety implications of using your product; an emerging economic crisis in a developing country.
- **Customers, markets, competitors, and strategy.** Are there developments in the competitive situation confronting your organization that could pose major challenges? Examples include a study suggesting that your product is inferior to that of a competitor; a new competitor that is offering a lower-cost substitute; a price war.
- **Internal capabilities.** Are there potential problems with your unit's processes, skills, and capabilities that could precipitate a crisis? Examples include an unexpected loss of key personnel; major quality problems at a key plant; a product recall.
- **Organizational politics.** Are you in danger of unwittingly stepping on a political land mine? Examples include certain people in your unit who are untouchable, but you don't know it; your failure to recognize that a key peer is subtly undermining you.

As you plan how to secure early wins, keep in mind your overarching goal: creating a virtuous cycle that reinforces wanted behavior and contributes to helping you achieve your agreed-to goals for the organization. Remember that you're aiming at modest but significant early improvements so that you can pursue more fundamental changes.

SECURE EARLY WINS—CHECKLIST

1. Given your agreed-to business goals, what do you need to do during your transition to create momentum for achieving them?
2. How do people need to behave differently to achieve these goals? Describe as vividly as you can the behaviors you need to encourage and those you need to discourage.
3. How do you plan to connect yourself to your new organization? Who are your key audiences, and what messages would you like to convey to them? What are the best modes of engagement?
4. What are the most promising focal points to get some early improvements in performance and start the process of behavior change?
5. What projects do you need to launch, and who will lead them?
6. What predictable surprises could take you off track?

CHAPTER 6

Achieve Alignment

Hannah Jaffey, a respected human resource consultant, was hired by a former client to be corporate vice president of human resources. She joined a company suffering from such intense conflict at the top that some senior executives were barely on speaking terms. Hannah had been brought in to support the CEO in making needed personnel changes and to rebuild the executive team.

Hannah soon realized the organization's structure and incentives system were at the root of the problems. A year earlier, the company, which had grown rapidly, had been reorganized into business units, each focusing on a specific product line. However, several of the units' customer bases overlapped, and the new structure and incentives system discouraged cooperation. The result? Confused customers, conflicts over which units owned key customer relationships, and an inability to offer integrated solutions. The turmoil had begun to impact the financials, with top-line growth stalling and the CEO facing tough questioning from the board and investors.

Convinced the company needed further structural change, Hannah laid out her case to the CEO. But he was reluctant to embark on another round of reorganization, and he remained convinced that the people were the problem. The organizational design was sound, he told Hannah, and with the right people in place it could work.

In truth, there were significant weak links in the executive team. But Hannah knew that the people issues couldn't be dealt with until the structure was put right. So she kept coming back to her boss. She did an in-depth diagnosis and brought to his attention instances in which incentive misalignments had unnecessarily stoked conflict. She also highlighted how other companies had organized themselves to deal with similar tensions.

It took time, but eventually Hannah convinced the CEO to move the company to a hybrid structure. The focus of marketing and sales was returned to customer segments, leaving operations and R&D organized by product line, and a shared-services organization was created to provide finance, HR, IT, and supply chain support. The realignment worked: a year later, the company was functioning much more smoothly, customers were much happier, and robust growth had resumed. And it had become much clearer which executives needed to be replaced.

The higher you climb in organizations, the more you take on the role of *organizational architect*, creating and aligning the key elements of the organizational system: the strategic direction, structure, core processes, and skill bases that provide the foundation for superior performance. No matter how charismatic you are as a leader, you cannot hope to do much if your organization is fundamentally out of alignment. You will feel as if you're pushing a boulder uphill every day.

If you have the scope to alter direction, structure, processes, and skills in your new position, you should begin to analyze the

architecture of your organization and assess alignment among these key elements. In the first few months you can't hope to do much more than conduct a solid diagnosis and perhaps get started on the most pressing alignment issues. But it's important to get a handle on what needs to be done so that you can focus some of your early-win projects appropriately and lay the foundation for a subsequent, deeper wave of change.

Even if, like Hannah, you lack the authority to unilaterally alter the architecture of your new organization, you should focus on assessing organizational alignment. Look at how your piece of the puzzle fits (or doesn't fit) into the bigger picture. Think about whether you need to convince influential people—your boss or your peers—that serious misalignments are a key impediment to achieving superior performance. Also, keep in mind that a thorough understanding of organizational systems can help you build credibility with people higher in the organization—and demonstrate your potential for more-senior positions.

Avoiding Common Traps

Many leaders rely on simplistic fixes to address complicated organizational problems, and they end up committing malpractice. Be alert to these common pitfalls:

- **Making changes for change's sake.** The temptation is great for newly appointed leaders to make rapid, visible changes to strategies or structures, whether or not these elements are the right areas for focus. Often, leaders feel self-imposed pressure to put their stamp on the organization and seek to make changes before they really understand the business; it's ready, shoot, aim. Once again, the action imperative creates a sure recipe for disaster.

CHAPTER 5

Secure Early Wins

When Elena Lee was promoted to head customer service at a leading retailer, she was tasked with improving slumping customer satisfaction. She also was determined to change the authoritarian leadership culture exemplified by her predecessor. Before her promotion, Elena had been responsible for the highest-performing call center in the same organization, so she knew a lot about the problems other units had been facing with quality of service. Convinced that she could dramatically improve performance through more employee participation, she saw cultural change as a top priority.

Elena began by communicating her goals to her former peers, now direct reports—the leaders of the company's call centers across the globe. In a series of team calls and 1:1 meetings, she laid out her quality improvement goals and vision for a more participative, problem-solving culture. These early overtures generated little obvious reaction.

Next, she initiated weekly meetings with each of the call center managers to review unit performance and discuss how they were working to improve it. Elena stressed that "the punishment culture is a thing of the past" and that she expected managers to coach employees. Cases involving significant disciplinary measures, she said, should be referred (on an interim basis) directly to her for review.

Over time Elena learned which center managers were getting with the program and which ones were continuing to be punitive. She then conducted formal performance reviews and put two of the worst offenders on performance-improvement plans. One left almost immediately; she replaced him with a high-potential supervisor from the center she had run. Although it took some time, the other manager shaped up acceptably.

Meanwhile, Elena focused on a critical aspect of the business: evaluation of customer satisfaction and improvement in quality of service. She appointed her best unit leader to lead a team of promising frontline managers and tasked them with producing a plan to introduce new metrics and supporting performance feedback and improvement processes. She also engaged a consultant to advise the managers on how to pursue this project, and she regularly reviewed their progress. When the team presented recommendations, she promptly implemented them on a pilot basis in the unit previously overseen by the departed supervisor.

By the end of her first year, Elena had extended the new approach throughout the organization. Customer service had improved substantially, and climate surveys revealed striking improvements in morale and employee satisfaction.

Elena succeeded in quickly creating momentum and building personal credibility by securing early wins.[1] By the end of the first few months, you want your boss, your peers, and your subordinates to feel that something new, something good, is happening. Early wins excite and energize people and build your personal credibility. Done well, they help you create value for

your new organization earlier and reach the break-even point much more quickly.

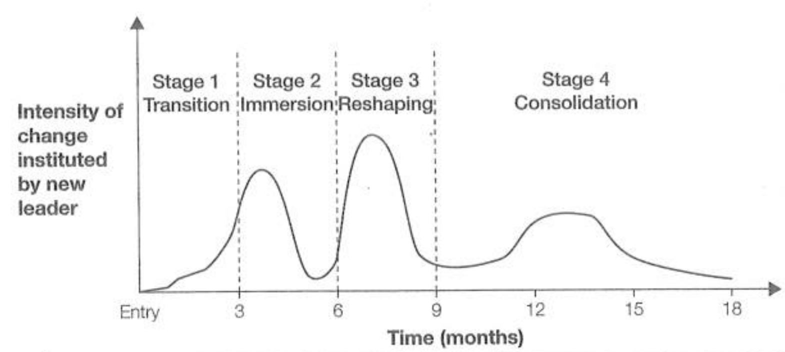
Making Waves

A seminal study of executives in transition found that they plan and implement change in distinct waves, as illustrated in figure 5-1.[2] Following an early period of focused learning, these leaders begin an early wave of changes. The pace then slows to allow consolidation and deeper learning about the organization, and to allow people to catch their breath. Armed with more insight, these executives then implement deeper waves of change. A final, less extreme wave focuses on fine-tuning to maximize performance. By this point, most of these leaders are ready to move on.

This research has direct implications for how you should manage your transition. It suggests that you should keep your ends clearly in mind when you devise your plan to secure early wins. The transition lasts only a few months, but you typically will

FIGURE 5-1

Waves of change



remain in the same job for two to four years before moving on to a new position. To the greatest extent possible, your early wins should advance longer-term goals.

Plan Your Waves

In planning for your transition (and beyond), focus on making successive waves of change. Each wave should consist of distinct phases: learning, designing the changes, building support, implementing the changes, and observing results. Thinking in this way can release you to spend time up front to learn and prepare, and afterward to consolidate and get ready for the next wave. If you keep changing things, it is impossible to figure out what is working and what is not. Unending change is also a surefire recipe for burning out your people.

The goal of the first wave of change is to secure early wins. The new leader tailors early initiatives to build personal credibility, establish key relationships, and identify and harvest low-hanging fruit—the highest-potential opportunities for short-term improvements in organizational performance. Done well, this strategy helps the new leader build momentum and deepen his own learning.

The second wave of change typically addresses more fundamental issues of strategy, structure, systems, and skills to reshape the organization; deeper gains in organizational performance are achieved. But you will not get there if you don't secure early wins in the first wave.

Starting with the Goal

Leaders in transition understandably are eager to get things moving. Thus, they naturally tend to focus on the problems that are easiest to fix quickly. This tactic is fine, up to a point. But be

careful not to fall into the *low-hanging fruit trap*. This trap catches leaders when they expend most of their energy seeking early wins that don't contribute to achieving their longer-term business objectives. It's like trying to launch a rocket into orbit with nothing except a very big first stage; the risk is great that you'll fall back to earth once the initial momentum fades. The implication: when you're deciding where to seek early wins, you may have to forgo some of the low-hanging fruit and reach higher in the tree.

As you strive to create momentum, therefore, keep in mind that your early wins must do double duty: they must help you build momentum in the short term *and* lay a foundation for achieving your longer-term business goals. So be sure that your plans for securing early wins, to the greatest extent possible, (1) are consistent with your agreed-to goals—what your bosses and key stakeholders expect you to achieve—and (2) help you introduce the new patterns of behavior you need to achieve those goals.

Focus on Business Priorities

The goals you have agreed to with your boss and other key stakeholders are the destination you're striving to reach in measurable business objectives. Examples are double-digit annual profit growth; a dramatic cut in defects and rework; or completion of a key project by an agreed-to deadline. For Elena, her number 1 priority was to make significant improvements in customer satisfaction. The point is to define your goals so that you can lead with a distinct end point in mind.

Identify and Support Behavioral Changes

Your agreed-to goals are the destination, but the behavior of people in your organization is a key part of how you do (or don't) get there. Put another way, if you are to achieve your goals in the allotted time, you may have to change dysfunctional patterns of behavior.

Start by identifying the unwanted behaviors; for example, Elena wanted to reduce the fear and disempowerment in her organization. Then work out, as Elena did, a clear vision of how you would like people to behave by the end of your tenure in the job, and plan how your actions in pursuit of early wins will advance the process. What behaviors do people consistently display that undermine the potential for high performance? Take a look at table 5-1, which lists some problematic behavior patterns, and then summarize your thoughts about the behaviors you would like to change.

TABLE 5-1

Problematic behavior patterns

Lack of...	Symptoms
Focus	• The group can't clearly define its priorities, or it has too many priorities. • Resources are spread too thin, leading to frequent crises and firefighting. People are rewarded for their ability to put out fires, not for devising enduring solutions.
Discipline	• People exhibit great variation in their levels of performance. • Employees don't understand the negative consequences of inconsistency. • People make excuses when they fail to meet commitments.
Innovation	• The group uses internal benchmarks to measure performance. • Improvements in products and processes unfold slowly and incrementally. • Employees are rewarded for maintaining stable performance, not for pushing the envelope.
Teamwork	• Team members compete with one another and protect turf rather than work together to achieve collective goals. • People are rewarded for creating fiefdoms.
Sense of urgency	• Team members ignore the needs of external and internal customers. • Complacency reigns, revealed in beliefs such as, "We're the best and always have been" and "It doesn't matter if we respond immediately; it won't make any difference."

Adopting Basic Principles

It's crucial to get early wins, but it's also important to secure them in the right way. Above all, of course, you want to avoid early losses, because it's tough to recover once the tide is running against you. Here are some basic principles to consider.

- **Focus on a few promising opportunities.** It's easy to take on too much during a transition, and the results can be ruinous. You cannot hope to achieve results in more than a couple of areas during your transition. Thus, it's essential to identify the most promising opportunities and then focus relentlessly on translating them into wins. Think of it as risk management: pursue enough focal points to have a good shot at getting a significant success, but not so many that your efforts get diffused.
- **Get wins that matter to your boss.** It's essential to get early wins that energize your direct reports and other employees. But your boss's opinion about your accomplishments is crucial too. Even if you do not fully endorse her priorities, you must make them central in thinking through which early wins you will aim for. Addressing problems that your boss cares about will go a long way toward building credibility and cementing your access to resources.
- **Get wins in the right ways.** If you achieve impressive results in a manner that is seen as manipulative, underhanded, or inconsistent with the culture, you're setting yourself up for trouble. If Elena had gotten her key wins by being punitive, it would have undercut the larger objective she was trying to achieve. An early win that is accomplished in a way that exemplifies the behavior you hope to instill in your new organization is a double win.

- **Take your STARS portfolio into account.** What constitutes an early win differs dramatically from one STARS business situation to another. Simply getting people to talk about the organization and its challenges can be a big accomplishment in a realignment, but it's a waste of time in a turnaround. So think hard about what will build momentum best in each part of your portfolio. Will it be a demonstrated willingness to listen and learn? Will it be rapid, decisive calls on pressing business issues?
- **Adjust for the culture.** In some organizations, a win must be a visible individual accomplishment. In others, individual pursuit of glory, even if it achieves good results, is viewed as grandstanding and destructive of teamwork. In team-oriented organizations, early wins could come in the form of leading a team in the development of a new product idea or being viewed as a solid contributor and team player in a broader initiative. Be sure you understand what is and is not viewed as a win, especially if you're onboarding into the organization.

Identifying Your Early Wins

Armed with (and guided by) an understanding of your goals and objectives for behavior change, you can identify where you will seek early wins. You should think about what you need to do in two phases: building personal credibility in roughly the first 30 days, and deciding which projects you will launch to achieve early performance improvements beyond that. (The actual time frames will of course depend on the situation.)

Understand Your Reputation

When you arrive, people will rapidly begin to assess you and your capabilities. In part, this evaluation will be based on what people think they already "know" about you. You can be sure people have talked to people who have talked to people who have worked with you in the past. So like it or not, you will start your role with a reputation, deserved or not. The risk, of course, is that your reputation will become reality, because people tend to focus on information that confirms their beliefs and screen out information that doesn't—the so-called *confirmation bias*.[3] The implication is that you need to figure out what role people are expecting you to play and then make an explicit decision about whether you will reinforce these expectations or confound them.

Elena's situation—leading former peers—is a special case in which people in the organization knew her, but in a different, more junior role. The risk for her was that they would expect her to be the same in her new role. So her job was to figure out ways to change how people perceived her. The broader challenges of leading former peers are summarized in the box "Leading Former Peers."

Leading Former Peers

To meet the classic challenges of moving from peer to boss, you should adopt the following principles:

- **Accept the fact that relationships must change.** An unfortunate price of promotion is that personal relationships with former peers must become less so. Close personal relationships are rarely compatible with effective supervisory ones.

- **Focus early on rites of passage.** The first days are about symbolism more than substance. So focus on rites of passage can help establish you in your new role—for example, having your new boss introduce you to your team and pass the baton.
- **Reenlist your (good) former peers.** For every leader who gets promoted, there are other ambitious souls who wanted the job but didn't get it. So recognize that disappointed competitors will go through stages of adjustment. Focus on figuring out who can work for you and who can't.
- **Establish your authority deftly.** You must walk the knife's edge between over- and underasserting yourself. It can be effective to adopt a consult-and-decide approach when dealing with critical issues until former peers get used to making the calls, as long as you don't make uninformed decisions.
- **Focus on what's good for the business.** From the moment your appointment is announced, some former peers will be straining to discern whether you will play favorites or will seek to advance political agendas at their expense. One antidote is to adopt a relentless, principled focus on doing what is right for the business.

Build Credibility

In your first few weeks in your new job, you cannot hope to have a measurable impact on performance, but you can score small victories and signal that things are changing. Think of this as an effort to secure early, early wins by building your personal credibility.

Your credibility, or lack of it, will depend on how people would answer the following questions about you:

- Do you have the insight and steadiness to make tough decisions?
- Do you have values that they relate to, admire, and want to emulate?
- Do you have the right kind of energy?
- Do you demand high levels of performance from yourself and others?

For better or worse, they will begin to form opinions based on little data. Your early actions, good and bad, will shape perceptions. Once opinion about you has begun to harden, it is difficult to change. And the opinion-forming process happens remarkably quickly.

So how do you build personal credibility? In part, it's about marketing yourself effectively, much akin to building equity in a brand. You want people to associate you with attractive capabilities, attitudes, and values. There's no single right answer for how to do this. In general, though, new leaders are perceived as more credible when they display these characteristics:

- **Demanding but able to be satisfied.** Effective leaders get people to make realistic commitments and then hold them responsible for achieving results. But if you're never satisfied, you'll sap people's motivation. Know when to celebrate success and when to push for more.
- **Accessible but not too familiar.** Being accessible does not mean making yourself available indiscriminately. It means being approachable, but in a way that preserves your authority.

- **Decisive but judicious.** New leaders communicate their capacity to take charge, perhaps by rapidly making some low-consequence decisions, without jumping too quickly into decisions that they aren't ready to make. Early in your transition, you want to project decisiveness but defer some decisions until you know enough to make the right calls.
- **Focused but flexible.** Avoid setting up a vicious cycle and alienating others by coming across as rigid and unwilling to consider multiple solutions. Effective new leaders establish authority by zeroing in on issues but consulting others and encouraging input. They also know when to give people the flexibility to achieve results in their own ways.
- **Active without causing commotion.** There's a fine line between building momentum and overwhelming your group or unit. Make things happen, but avoid pushing people to the point of burnout. Learn to pay attention to stress levels and pace yourself and others.
- **Willing to make tough calls but humane.** You may have to make tough calls right away, including letting go of marginal performers. Effective new leaders do what needs to be done, but they do it in ways that preserve people's dignity and that others perceive as fair. Keep in mind that people watch not only what you do but also how you do it.

Plan to Engage

Because your earliest actions will have a disproportionate influence on how you're perceived, think through how you will get connected to your new organization in the first few days in your new role. What messages do you want to get across about who you are and what you represent as a leader? What are the best ways to convey those messages?

Identify your key audiences—direct reports, other employees, key outside constituencies—and craft a few messages tailored to each. These need not be about what you plan to do; that's premature. They should focus instead on who you are, the values and goals you represent, your style, and how you plan to conduct business.

Think about modes of engagement, too. *How* will you introduce yourself? Should your first meetings with direct reports be one-on-one or in a group? Will these meetings be informal get-to-know-you sessions, or will they immediately focus on business issues and assessment? What other channels, such as e-mail and video, will you use to introduce yourself more widely? Will you have early meetings at other locations where your organization has facilities?

As you make progress in getting connected, identify and act as quickly as you can to remove minor but persistent irritants. Focus on strained external relationships, and begin to repair them. Cut out redundant meetings, shorten excessively long ones, or improve problems with physical work spaces. All this helps you build personal credibility early on.

Finally, keep in mind that effective learning builds personal credibility. It's never a bad thing to be seen as genuinely committed to understanding your new organization. It helps immunize you against the perception that you have come in with your mind made up about the organization's problems and have "the" answer. An early, visible focus on learning signals to the organization that you understand it has a unique history and dynamics. Of course, it's important that you also be seen as a quick study and not, as was said of one president, that you have "a learning curve as flat as Kansas."[4] Know, too, when to shift the emphasis from learning to decision and action.

Write Your Own Story

Your actions during your first few weeks inevitably will have a disproportionate impact, because they are as much about symbolism as about substance. Early actions often get transformed into stories, which can define you as hero or villain. Do you take the time to informally introduce yourself to the support staff, or do you focus only on your boss, peers, and direct reports? Something as simple as this action can help brand you as either accessible or remote. How you introduce yourself to the organization, how you treat support staff, how you deal with small irritants—all these pieces of behavior can become the kernels of stories that circulate widely.

To nudge your mythology in a positive direction, look for and leverage *teachable moments*. These are actions—such as the way Elena dealt with recalcitrant supervisors—that clearly display what you're about; they also model the kinds of behavior you want to encourage. They need not be dramatic statements or confrontations. They can be as simple, and as hard, as asking the penetrating question that crystallizes your group's understanding of a key problem the members are confronting.

Launch Early-Win Projects

Building personal credibility and developing some key relationships help you get immediate wins. Soon, however, you should identify opportunities to get quick, tangible performance improvement in the business. The best candidates are problems you can tackle quickly with modest expenditures and will yield visible operational and financial gains. Examples include bottlenecks that restrict productivity and incentive programs that undermine performance by causing conflict.

Identify three or four key areas, at most, where you will seek to achieve rapid improvement. Use the early wins evaluation tool in table 5-2 to gauge the potential. But keep in mind that if you take on too many initiatives, you risk losing focus. Think about risk management: build a promising portfolio of early-win initiatives

TABLE 5-2

Early wins evaluation tool

This tool helps you assess the potential of candidate focal points for getting early wins. Complete one for each candidate focal point, carefully answering the evaluation questions. Then total the scores for the evaluation question, and use the result as a rough indicator of the potential.

CANDIDATE EARLY WIN ______________

For each of the following questions, circle the response that best describes the potential.

	Not at all	To a small extent	Somewhat	To a significant extent	To a great extent
Does the focal point offer an opportunity to make a substantial improvement in the performance of your unit?	0	1	2	3	4
Is this improvement achievable in a reasonably short time with available resources?	0	1	2	3	4
Would success also help lay the foundation for achieving agreed-to business goals?	0	1	2	3	4
Will the process used to achieve the win help you make needed changes in behavior in the organization?	0	1	2	3	4

Now total the numbers that you circled, and fill in that number here: ________

The result will be a number between 0 and 16 that is a rough measure you can use to compare the attractiveness of candidate focal points. Use common sense in interpreting these numbers. If the candidate scores 0 on the first question, for example, it doesn't matter if it scores 4's on all the others.

so that big successes in one will balance disappointments in others. Then focus relentlessly on getting results.

To set the stage for securing early wins, make sure your learning agenda specifically addresses how you will identify promising opportunities for improvement. Then translate your goals into specific projects to secure early wins, using the following guidelines:

- **Keep your long-term goals in mind.** Your actions should, to the greatest extent possible, serve your agreed-to business goals and supporting objectives for behavior change.
- **Identify a few promising focal points.** Focal points are areas or processes (such as the customer service processes for Elena) in which improvement can dramatically strengthen the organization's overall operational or financial performance. Concentration on a few focal points will help you reduce the time and energy needed to achieve tangible results. And success in improving performance early in these areas will win you freedom and space to pursue more extensive changes.
- **Launch early-win projects.** Manage your early-win initiatives as projects, targeted at your chosen focal points. This is what Elena did when she appointed a team to improve customer service in her new position.
- **Elevate change agents.** Identify the people in your new unit, at all levels, who have the insight, drive, and incentives to advance your agenda. Promote them or appoint them to lead key projects, as Elena did.
- **Leverage the early-win projects to introduce new behaviors.** Your early-win projects should serve as models of how you want your organization, unit, or group to function in the future. Elena understood this when she engaged a consultant to help the team use the right methods to pursue the project so they could learn how best to do this.

Use the project planning template in table 5-3 to plan projects with maximum impact.

TABLE 5-3

FOGLAMP project checklist

FOGLAMP is an acronym for focus, oversight, goals, leadership, abilities, means, and process. This tool can help you cut through the haze and plan your critical projects. Complete the table for each early-win project you set up.

Project: ____________________

Question	Answer
Focus: What is the focus for this project? For example, what goal or early win do you want to achieve?	
Oversight: How will you oversee this project? Who else should participate in oversight to help you get buy-in for implementing results?	
Goals: What are the goals and the intermediate milestones and time frames for achieving them?	
Leadership: Who will lead the project? What training, if any, do they need in order to be successful?	
Abilities: What mix of skills and representation needs to be included? Who needs to be included because of their skills? Because they represent key constituencies?	
Means: What additional resources, such as facilitation, does the team need to be successful?	
Process: Are there change models or structured processes you want the team to use? If so, how will they become familiar with the approach?	

Leading Change

As you work out where to get your early wins, think, too, about how you will make change happen in your organization. Keep in mind there is no one best way to lead change; the best approaches depend on the situation. For example, approaches that work well in turnarounds, where there already is a sense of urgency, can fail miserably in realignments, where many people may be in denial about the need for change. So stay open to the possibility that you will lead change differently in different parts of your STARS portfolio.

Planning Versus Learning

Once you've identified the most important problems or issues you need to address, the next step is to decide whether to engage in planned change or collective learning.[5]

The straightforward plan-then-implement approach to change works well when you're sure you have the following key supporting planks in place:

- **Awareness.** A critical mass of people is aware of the need for change.
- **Diagnosis.** You know what needs to be changed and why.
- **Vision.** You have a compelling vision and a solid strategy.
- **Plan.** You have the expertise to put together a detailed plan.
- **Support.** You have sufficiently powerful alliances to support implementation.

This approach often works well in turnaround situations—for example, where people accept there is a problem, the fixes are more technical than cultural or political, and people are hungry for a solution.

If any of these five conditions is not met, however, the pure planning approach to change can get you into trouble. If you're in a realignment, for example, and people are in denial about the need for change, they're likely to greet your plan with stony silence or active resistance. You may therefore need to build awareness of the need for change. Or you may need to sharpen the diagnosis of the problem, create a compelling vision and strategy, develop a solid cross-functional implementation plan, or create a coalition in support of change.

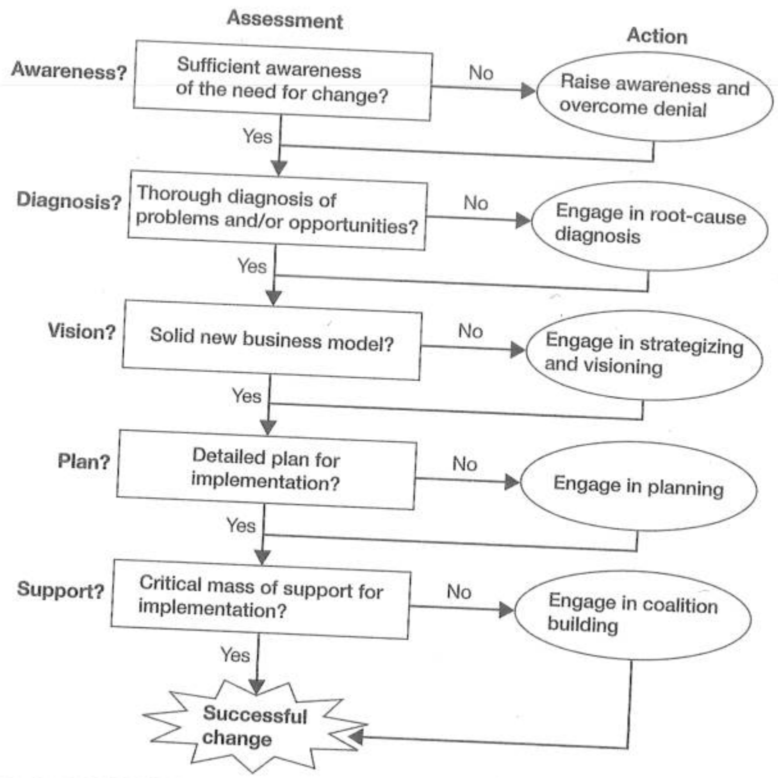
To accomplish any of these goals, you would be well advised to focus on setting up a collective learning process and not on developing and imposing change plans. If many people in the organization are willfully blind to emerging problems, for example, you must put in place a process to pierce this veil. Rather than mount a frontal assault on the organization's defenses, you should engage in something akin to guerrilla warfare, slowly chipping away at people's resistance and raising their awareness of the need for change.

You can do this by exposing key people to new ways of operating and thinking about the business, such as new data on customer satisfaction and competitive offerings. Or you can do some benchmarking of best-in-class organizations, getting the group to analyze how your best competitors perform. Or you can persuade people to envision new approaches to doing things—for example, by scheduling an off-site meeting to brainstorm about key objectives or ways to improve existing processes.

The key, then, is to figure out which parts of the change process can be best addressed through planning, and which are better dealt with through collective learning. Think of a change you want to make in your new organization. Now use the diagnostic flow chart in figure 5-2 to figure out where planning and learning processes are likely to be important to your success.

FIGURE 5-2

Diagnostic framework for managing change



Get Started on Behavior Change

As you plan to get early wins, remember that the means you use are as important as the ends you achieve. The initiatives you put in place to get early wins should do double duty by establishing new standards of behavior. Elena did this when she carefully staffed and coached her project team and then quickly implemented its recommendations.

To change your organization, you will likely have to change its culture. This is a difficult undertaking. Your organization may have well-ingrained bad habits that you want to break. But we know how difficult it is for one person to change habitual patterns in any significant way, never mind a mutually reinforcing collection of people.

Simply blowing up the existing culture and starting over is rarely the right answer. People—and organizations—have limits on the change they can absorb all at once. And organizational cultures invariably have virtues as well as faults; they provide predictability and can be sources of pride. If you send the message that there is nothing good about the existing organization and its culture, you will rob people of a key source of stability in times of change. You also will deprive yourself of a potential wellspring of energy you could tap to improve performance.

The key is to identify both the good and the bad elements of the existing culture. Elevate and praise the good elements even as you seek to change the bad ones. These functional aspects of the familiar culture are a bridge that can help carry people from the past to the future.

Match Strategy to Situation

The choice of behavior-change techniques should be a function of your group's structure, processes, skills, and—above all—situation. Consider again the difference between turnaround and realignment situations. In a turnaround, you face a combination of time pressure and the need to rapidly identify and secure the defensible core of the business. Often, techniques such as bringing in new people from the outside and setting up project teams to pursue specific performance-improvement initiatives are a good fit. Contrast this with realignments, where you are well advised to start with less obvious approaches to behavior change. By changing performance measures and starting benchmarking, for example, you set the stage for collectively creating a vision for realigning the business.

Avoiding Predictable Surprises

Finally, all your efforts to secure early wins could come to naught if you don't pay attention to identifying ticking time bombs and preventing them from exploding in your face. If they do explode, your focus will instantly shift to continuous firefighting, and your hopes for systematically getting established and building momentum will fly out the window.

Some bolts from the blue really do come out of the blue. When this happens, you must grit your teeth and mount the best crisis response you can. But far more often, new leaders are taken off track by predictable surprises. These are situations in which people have all the information necessary to recognize and defuse a time bomb but fail to do so.[6]

This often happens because the new leader simply doesn't look in the right places or ask the right questions. As mentioned earlier, we all have preferences about the types of problems we like to work on and those we prefer to avoid or don't feel competent to address. But you need to discipline yourself either to dig into areas where you're not fully comfortable or to find trustworthy people with the necessary expertise to do so.

Another reason for predictable surprises is that different parts of the organization have different pieces of the puzzle, but no one puts them together. Every organization has its information silos. If you don't put processes in place to make sure critical information is surfaced and integrated, then you're putting yourself at risk of being predictably surprised.

Use the following set of questions to identify areas where potential problems may be lurking:

- **The external environment.** Could trends in public opinion, government action, or economic conditions precipitate major problems for your unit? Examples include a change in government policy that favors competitors or unfavorably influences your prices or costs; a major shift in public opinion about the health or safety implications of using your product; an emerging economic crisis in a developing country.
- **Customers, markets, competitors, and strategy.** Are there developments in the competitive situation confronting your organization that could pose major challenges? Examples include a study suggesting that your product is inferior to that of a competitor; a new competitor that is offering a lower-cost substitute; a price war.
- **Internal capabilities.** Are there potential problems with your unit's processes, skills, and capabilities that could precipitate a crisis? Examples include an unexpected loss of key personnel; major quality problems at a key plant; a product recall.
- **Organizational politics.** Are you in danger of unwittingly stepping on a political land mine? Examples include certain people in your unit who are untouchable, but you don't know it; your failure to recognize that a key peer is subtly undermining you.

As you plan how to secure early wins, keep in mind your overarching goal: creating a virtuous cycle that reinforces wanted behavior and contributes to helping you achieve your agreed-to goals for the organization. Remember that you're aiming at modest but significant early improvements so that you can pursue more fundamental changes.

SECURE EARLY WINS—CHECKLIST

1. Given your agreed-to business goals, what do you need to do during your transition to create momentum for achieving them?
2. How do people need to behave differently to achieve these goals? Describe as vividly as you can the behaviors you need to encourage and those you need to discourage.
3. How do you plan to connect yourself to your new organization? Who are your key audiences, and what messages would you like to convey to them? What are the best modes of engagement?
4. What are the most promising focal points to get some early improvements in performance and start the process of behavior change?
5. What projects do you need to launch, and who will lead them?
6. What predictable surprises could take you off track?

CHAPTER 6

Achieve Alignment

Hannah Jaffey, a respected human resource consultant, was hired by a former client to be corporate vice president of human resources. She joined a company suffering from such intense conflict at the top that some senior executives were barely on speaking terms. Hannah had been brought in to support the CEO in making needed personnel changes and to rebuild the executive team.

Hannah soon realized the organization's structure and incentives system were at the root of the problems. A year earlier, the company, which had grown rapidly, had been reorganized into business units, each focusing on a specific product line. However, several of the units' customer bases overlapped, and the new structure and incentives system discouraged cooperation. The result? Confused customers, conflicts over which units owned key customer relationships, and an inability to offer integrated solutions. The turmoil had begun to impact the financials, with top-line growth stalling and the CEO facing tough questioning from the board and investors.

Convinced the company needed further structural change, Hannah laid out her case to the CEO. But he was reluctant to embark on another round of reorganization, and he remained convinced that the people were the problem. The organizational design was sound, he told Hannah, and with the right people in place it could work.

In truth, there were significant weak links in the executive team. But Hannah knew that the people issues couldn't be dealt with until the structure was put right. So she kept coming back to her boss. She did an in-depth diagnosis and brought to his attention instances in which incentive misalignments had unnecessarily stoked conflict. She also highlighted how other companies had organized themselves to deal with similar tensions.

It took time, but eventually Hannah convinced the CEO to move the company to a hybrid structure. The focus of marketing and sales was returned to customer segments, leaving operations and R&D organized by product line, and a shared-services organization was created to provide finance, HR, IT, and supply chain support. The realignment worked: a year later, the company was functioning much more smoothly, customers were much happier, and robust growth had resumed. And it had become much clearer which executives needed to be replaced.

The higher you climb in organizations, the more you take on the role of *organizational architect*, creating and aligning the key elements of the organizational system: the strategic direction, structure, core processes, and skill bases that provide the foundation for superior performance. No matter how charismatic you are as a leader, you cannot hope to do much if your organization is fundamentally out of alignment. You will feel as if you're pushing a boulder uphill every day.

If you have the scope to alter direction, structure, processes, and skills in your new position, you should begin to analyze the

architecture of your organization and assess alignment among these key elements. In the first few months you can't hope to do much more than conduct a solid diagnosis and perhaps get started on the most pressing alignment issues. But it's important to get a handle on what needs to be done so that you can focus some of your early-win projects appropriately and lay the foundation for a subsequent, deeper wave of change.

Even if, like Hannah, you lack the authority to unilaterally alter the architecture of your new organization, you should focus on assessing organizational alignment. Look at how your piece of the puzzle fits (or doesn't fit) into the bigger picture. Think about whether you need to convince influential people—your boss or your peers—that serious misalignments are a key impediment to achieving superior performance. Also, keep in mind that a thorough understanding of organizational systems can help you build credibility with people higher in the organization—and demonstrate your potential for more-senior positions.

Avoiding Common Traps

Many leaders rely on simplistic fixes to address complicated organizational problems, and they end up committing malpractice. Be alert to these common pitfalls:

- **Making changes for change's sake.** The temptation is great for newly appointed leaders to make rapid, visible changes to strategies or structures, whether or not these elements are the right areas for focus. Often, leaders feel self-imposed pressure to put their stamp on the organization and seek to make changes before they really understand the business; it's ready, shoot, aim. Once again, the action imperative creates a sure recipe for disaster.

- **Not adjusting for the STARS situation.** There is no one best way to lead change. The right way to drive organizational alignment in a turnaround (with a focus on rapid and often radical shifts) is very different from the right way to proceed in an accelerated-growth situation or a realignment (when subtle and incremental changes often are the right way to proceed). So it's essential not to adopt a one-size-fits-all approach to change but rather to understand the best ways to proceed in the various STARS situations.
- **Trying to restructure your way out of deeper problems.** Overhauling your organization's structure when the real issues lie in the processes, skill bases, and culture can amount to rearranging the deck chairs on the *Titanic*. Resist doing so until you understand whether restructuring will address the root causes of the problems. Otherwise, you may create new misalignments and have to backtrack, disrupting your organization and damaging your credibility.
- **Creating structures that are too complex.** This is a related trap. It may indeed make sense, as it did in Hannah's situation, to implement a matrix structure. Done well, matrices foster shared accountability and help you work through creative tension. But take care to strike the right balance and not diffuse decision making or introduce sclerotic complexity. Strive, where possible, for clear lines of accountability. Simplify the structure to the greatest degree possible without compromising core goals.
- **Overestimating your organization's capacity to absorb change.** It's easy to envision an ambitious new strategic direction or shift in structure. In practice, though, it can

be difficult for people to change in response to large-scale shifts, especially if they have experienced a string of such changes in the recent past. Move quickly if you need to—for example, in a turnaround. But proceed incrementally if the STARS situation permits—for example, in realignments or sustaining-success situations.

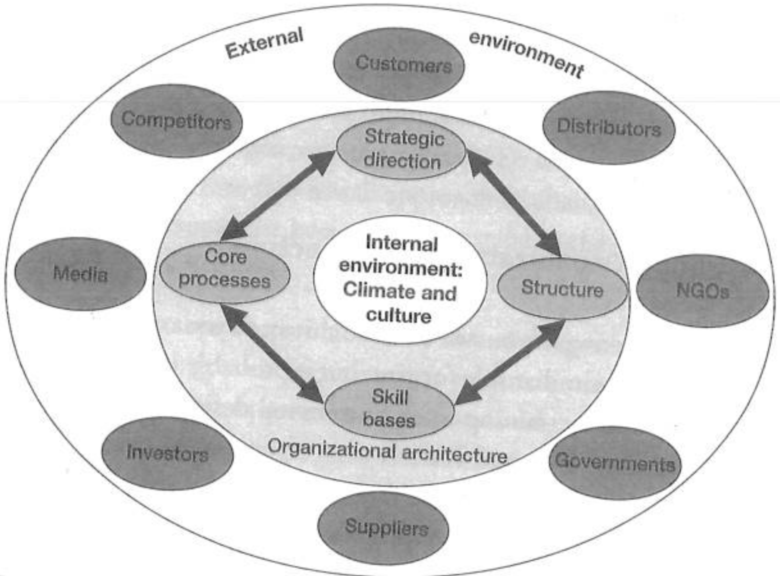
Designing Organizational Architecture

Begin by thinking of yourself as the architect of your unit or group. This may be a familiar role for you, but it probably isn't. Few leaders get systematic training in organizational design. Because leaders typically have limited control over organizational design early in their careers, they learn little about it. It's commonplace for less-senior people to complain about obvious misalignments and to wonder why "those idiots" higher up tolerate clearly dysfunctional arrangements. By the time you reach the midsenior levels of most organizations, however, you are well on your way to becoming one of those idiots. You're therefore well advised to begin learning something about how to assess and design organizations.

To design (or redesign) your organization, start by thinking of it as an open system. This is illustrated for an entire business in figure 6-1; you may need to focus on only your piece. The "open" part refers to the reality that organizations are open to (that is, those elements they influence and are influenced by). This reality comprises (1) key players in the external environment, including customers, distributors, suppliers, competitors, governments, NGOs, investors, and the media, and (2) the internal environment: climate, morale, and culture. So leaders' architectural choices must position the organization to respond to, as well as shape, the realities of the external and internal environments.

FIGURE 6-1

Elements of organizational architecture



The "systems" part highlights the fact that organizational architectures consist of distinct, interacting elements: strategic direction, structure, core processes, and skill bases. The implication is that you can work on individual elements—for example, change the strategy, alter the structure, streamline a process, or hire people with a different skill set—but you shouldn't do so without thinking through the impact on the other elements. Specifically all four elements of organizational architecture need be aligned to work together.[1]

- **Strategic direction.** The organization's mission, vision, and strategy
- **Structure.** How people are organized in units and how their work is coordinated, measured, and incentivized

- **Core processes.** The systems used to add value through the processing of information and materials
- **Skill bases.** The capabilities of key groups of people in the organization

Of course you need to have the right strategic direction to move forward effectively. But misalignments involving any of the other elements can make even the best strategy useless. Strategic direction drives the other elements *and* is influenced by them: if you decide to change your group's direction, you will probably have to alter its structure, processes, and skills to create a fully aligned architecture.

Diagnosing Misalignments

Organizations can end up misaligned in many ways. Your goal during your first 90 days should be to identify potential misalignments and design a plan for correcting them. Common types of misalignments include the following:

- **Misalignments between strategic direction and skill bases.** Suppose you head an R&D group and your goal is to increase the number of new product ideas your team generates and tests. However, your staff is not up to speed on the latest techniques that would let you run more experiments faster than before. In this case, your group's skills do not support its mission.
- **Misalignments between strategic direction and core processes.** Imagine that you lead a marketing group whose mission is to focus on meeting the needs of a new customer segment. If your team has not established an effective way to compile and analyze information about those customers, your group's systems fail to support

the direction. There is a mismatch between strategic direction and core processes.

- **Misalignments between structure and processes.** Suppose you manage a product development group whose members are organized by product line. The rationale for this structure is that it focuses specialized technical expertise on specific products. But this structure has a downside: the group does not have efficient systems for sharing best practices among the various product teams. The resulting mismatch between structure and processes would make it difficult for the entire group to perform optimally.
- **Misalignments between structure and skills.** Suppose the business has recently moved from a functional structure to a matrix structure in an effort to balance product-related and functional decisions. People are used to relying on authority and functional reporting lines to get things done, but now they need to use influence and conflict management skills. The shift in structure has created a mismatch with needed skills that will need to be addressed.

Getting Started

Aligning an organization is like preparing for a long sailing trip. First, you need to be clear on whether your destination (the mission and goals) and your route (the strategy) are the right ones. Then you can figure out which boat you need (the structure), how to outfit it (the processes), and which mix of crew members is best (the skill bases). Throughout the journey, you keep an eye out for reefs that are not on the charts.

The underlying point is that there is a logic to organizational alignment. It's likely to cause problems if you try to change the structure before figuring out whether the direction is the right one. Also, you cannot fully assess the fitness of your existing crew until you have a handle on your destination, route, and boat, although you certainly can get started. Here's how:

1. **Begin with strategic direction.** Take a hard look at how your unit is positioned with respect to the larger organization's goals and your agreed-to priorities. Make sure your mission, vision, and strategy are well thought through and logically integrated.
2. **Look at supporting structure, processes, and skills.** Look at whether your group's existing structure, processes, and skill bases support the strategic direction—either the existing one (if you decide not to change it) or the one you envision. Dig into and understand the relationships among these elements. If one or more of them is ill suited to the mission or strategy you have in mind, figure out how you will either adapt your direction or build (or acquire) the capabilities you need.
3. **Decide how and when you will introduce the new strategic direction.** Armed with a deeper understanding of your group's current capabilities, chart a path for shifting direction (if such a shift is necessary). Sketch out changes in positioning (markets, customers, and suppliers) as well as changes in supporting capabilities. Then adopt a realistic time frame for making these changes.
4. **Think through the correct sequencing.** Different situations demand different approaches to bringing organizations into alignment. In a turnaround, the right

approach often is to alter the strategy (which typically is not adequate), then to bring the structure into alignment with it, and then to focus on supporting processes and skills. In a realignment, however, strategic direction and structure often are not the real source of the difficulties. Instead, they frequently lie in the processes and skill bases of the organization, and these are the places to focus on.

5. **Close the loop.** As you learn more about your group's structure, processes, and skills, you will gain insight into the team's capabilities and its cultural capacity for change. This insight will in turn deepen your understanding of what changes in strategic positioning are possible over what time period.

Defining Strategic Direction

Strategic direction encompasses mission, vision, and strategy. Mission is about *what* will be achieved, vision is about *why* people should feel motivated to perform at a high level, and strategy is about *how* resources should be allocated and decisions made to accomplish the mission. If you keep in mind the what, the why, and the how, you won't get lost in debates about what a mission is, what a vision is, and what a strategy is.

Some fundamental questions about strategic direction concern what the organization will do and, critically, what it will not do. Focus on customers, capital, capabilities, and commitments:

- **Customers.** Which set of existing customers (external or internal) will we continue to serve? What is our value proposition? Which markets are we going to exit? What new markets are we going to enter, and when?

- **Capital.** Of the businesses we will remain in, which will we invest in, and which will we draw cash from? What additional capital is likely to be required, and when? Where will it come from?
- **Capabilities.** What are we good at and not good at? What existing organizational capabilities (for example, a strong new-product development organization) can we leverage? Which do we need to build up? Which do we need to create or acquire?
- **Commitments.** What critical decisions do we need to make about resource commitments? When? What difficult-to-reverse past commitments do we have to live with or try to unwind?

It is beyond the scope of this book to delve deeply into the development of strategic direction, but excellent resources are available to help you answer these questions. Our focus here is on assessing the current direction by looking at its coherence, adequacy, and implementation.

Assess Coherence

Is there a clear logic to the choices that have been made about customers, products, technologies, plans, and resource commitments? To assess whether the elements of strategic direction fit together, you need to look at the logic behind the strategy to ensure that it makes sense overall. Have the people who defined it thought through all its ramifications and the practical aspects of implementing it?

How do you evaluate the logic of the organization's strategic direction? Start by looking at documents that describe your group's mission, vision, and strategy. Then disassemble them into their components: markets, products, technologies, functional plans, and goals. Ask yourself, Do the various dimensions support one another? Is there a logical thread connecting the various parts? To be more specific, is there an obvious connection between market analysis and the group's objectives? Does the product development budget jibe with the capital investments projected in the operations part of the strategy? Are plans in place to train salespeople for new products in the pipeline?

If the organization's strategic direction makes sense overall, you will spot such connections easily.

Assess Adequacy

Is the defined direction sufficient for what your unit needs to do in the next two or three years? Will it be sufficient to support the larger organization's goals? Your group may have a well-thought-through and logically integrated strategic direction. But is it also adequate? That is, will it empower the group to carry out what it needs to do to succeed—and to help the larger organization succeed—in the next two or three years?

To assess adequacy, use these three approaches:

- **Ask probing questions.** Does your boss believe the current direction will provide enough return on the effort your group will expend to implement it? Are there plans in place to secure, develop, and preserve resources for carrying it out? Are profit and other targets high enough to keep the group on the right track? Is enough money earmarked for capital investment? For research?
- **Use a variation on the well-known SWOT method.** See the box "From SWOT to TOWS."

- **Probe the history of how strategic direction got defined.** Find out who drove the process of defining strategic direction. Was it done in a rush? If so, the developers might not have thought through all the ramifications. Did it take a long time? If so, it might represent a lowest-common-denominator compromise that emerged from a political battle. Any mistakes during the development process could compromise the strategy's adequacy.

From SWOT to TOWS

SWOT is arguably the most useful (and certainly the most misunderstood) framework for conducting strategic analysis. The reason has to do with how the tool was developed and, critically, how it was named. SWOT—an acronym for strengths, weaknesses, opportunities, and threats—was originally developed by a team at the Stanford Research Institute (SRI) in the late 1960s.[2] The group came up with the idea of simultaneously analyzing internal capabilities (strengths and weaknesses) and developments in the external environment (threats and opportunities) to identify strategic priorities and develop plans to address them.

Unfortunately, the developers named their method SWOT, with the implication that the analysis should be carried out in that order—first, internal strengths and weaknesses, and then external opportunities and threats. This implied hierarchy has created no end of problems for those who use the methodology to drive strategy discussions in teams. The problem is that in the absence of something to anchor the discussion, an analysis of organizational strengths and weaknesses can very easily become abstract, undirected navel-gazing. As a result, groups often fail in trying to define their organization's strengths and weaknesses, end up frustrated and exhausted, and so give short shrift to critical developments in the external environment.

The correct approach is to start with the environment and then analyze the organization. The first step is to assess the organization's external environment, looking for emerging threats and potential opportunities. Naturally this assessment must be conducted by people who are grounded in the reality of the organization and knowledgeable about its environment.

Having identified potential threats and opportunities, the group should next evaluate them with reference to organizational capabilities. Does the organization have weaknesses that make it particularly vulnerable to specific threats? Does the organization have strengths that would permit it to pursue specific opportunities?

The final step is to translate these assessments into a set of strategic priorities, blunting critical threats and pursuing high-potential opportunities. These are then the inputs to a more extensive strategic planning process.

The confusion that has flowed from naming the method SWOT is so pervasive that a name change is probably in order. The alternative? Call it TOWS, so that people get the right cues about the best order for conducting the process.

Assess Implementation

Have the mission, vision, and strategy of your organization been pursued energetically? If not, why not? Look at how your group's strategic direction is being implemented—what people are *doing* and not what they are saying. This approach will help you pinpoint whether problems stem from inadequacies in *formulation* or *implementation*. Ask yourself these kinds of questions:

- Is our overall pattern of decisions consistent with our defined direction? What goals does the organization actually seem to be pursuing?
- Are we using the specified performance metrics to make day-to-day decisions?
- If implementation requires teamwork and cross-functional integration, are people acting as teams and collaborating across functions?
- If implementation requires the development of new employee skills, is a learning-and-development infrastructure in place to develop those skills?

Your answers to these kinds of questions will tell you whether to push for changes in your group's strategic direction or in its implementation.

Modify Strategic Direction

Suppose you discover serious flaws in the mission, vision, and strategy you have inherited. Can you radically change them or the way they're implemented? That depends on two factors: the STARS situation you're entering, and your ability to persuade others and build support for your ideas.

If you believe that your group is on the wrong path, you need to raise questions to persuade your boss and others to reexamine strategic direction. If you conclude that the existing strategy will move the group forward, but neither fast enough nor far enough, the wisest course may be to tweak it early on and plan for bigger changes later. For example, you might raise the targeted revenue goals modestly or recommend investing in a needed technology sooner than the strategic direction calls for. More fundamental changes should wait until you've learned more and have built support among key constituencies.

Shaping Your Group's Structure

Whether or not you decide to change the strategic direction of your organization, you still need to assess the adequacy of the structure. If the structure doesn't support the strategy—either the existing one or a new one you plan to put in place—your organization's energies will not be directed appropriately.

One caution: much of an organization's power gets allocated via its structure, because it defines who has the authority to do what. So take care not to take on structural change unless it is obvious that it's needed—for example, in turnaround or rapid-growth scenarios. Tackling structural change early on can be particularly perilous in realignments, where there isn't a burning platform to drive the change process.

What is structure exactly? Most simply, your group's structure is the way it organizes people and technology to support the mission, vision, and strategy. Structure consists of the following elements:

- **Units:** How your direct reports are grouped, such as by function, product, or geographical area
- **Reporting relationships and integration mechanisms:** How lines of reporting and accountability are set up to coordinate effort, and how work among units is integrated
- **Decision rights and rules:** Who is empowered to make what kinds of decisions, and what rules should be applied to align decisions with strategy

- **Performance measurement and incentive systems:** The performance-evaluation metrics and incentive systems that are in place

Assess Structure

Before you begin to generate ideas for reshaping your group's structure, look into the interaction of the four structural elements. Are the pieces out of tune or in harmony? Ask yourself these questions:

- Does the grouping of team members help us achieve our mission and implement the strategy? Are the right people in the right places to work toward our core objectives?
- Do reporting relationships help align effort? Is it clear who is accountable for what? Is the work of different units integrated effectively?
- Is the allocation of decision rights helping us make the best decisions to support the strategy? Is the right balance achieved between centralization and decentralization? Between standardization and customization?
- Are we measuring and rewarding the kinds of achievements that matter most to our strategic aims? Is the balance right between fixed rewards and performance-based rewards? Between individual incentives and group incentives?

If you're in a start-up situation—and therefore forming a new group—you will not have existing structures to evaluate. Instead, think about how you want the structural pieces to work in your group.

Grapple with the Trade-Offs

There is no perfect organizational structure; every one embodies trade-offs. Thus, your challenge is to find the right balance for your situation. As you consider changes in your group's structure, keep in mind some common problems that can arise:

- **The organization has silos of excellence.** When you group people with similar experience and capabilities, they can accumulate deep wells of expertise. But they can also become isolated and compartmentalized. The implication is that you need to pay attention to how integration happens. This includes looking at who is responsible for bridging the chasms between functions, as well as identifying whether the right integration mechanisms, such as cross-functional teams and group performance incentives, are in place.
- **Employees' decision-making scope is too narrow or too broad.** A good general rule is that decisions should be made by the people who have the most relevant knowledge, as long as their incentives encourage them to do what is best for the organization. If your group's decision-making process is centralized, you (and perhaps several other individuals) can decide quickly. But you may be forgoing the benefit of the wisdom of others who have better information to make certain of those decisions. This structure can lead to ill-informed decisions and can tax those who make all the decisions. If, on the other hand, people are given decision-making scope but do not understand the larger implications of their choices, they may make unwise calls.
- **Employees have incentives to do the wrong things.** The best predictor of what people will do is what they are incentivized to do. Effective leaders seek to align the interests of individual decision makers with the interests of the group as a whole. This is why placing more emphasis on group incentives is effective in some organizations: they focus everyone's attention on the ability to work together. Problems arise when measurement and compensation schemes fail to reward employees for either their individual *or* their collective efforts. Problems also arise when rewards advance employees' individual interests at the expense of the group's broader goals—for example, when multiple employees who could serve the same set of customers lack incentives to cooperate. This was the problem confronting Hannah in the story at the beginning of the chapter.

- **Reporting relationships lead to compartmentalization or diffusion of accountability.** Reporting relationships help you observe and control the workings of your group, clarify responsibility, and encourage accountability. Hierarchical reporting relationships make these tasks easier but can lead to compartmentalization and poor information sharing. Complex reporting arrangements, such as matrix structures, broaden information sharing and reduce compartmentalization but can diffuse accountability.

Aligning Core Processes

Core processes (often referred to as "systems") enable your group to transform information, materials, and knowledge into value in the form of commercially viable products or services, new knowledge or ideas, productive relationships, or anything else the larger organization considers essential. Again, as with structure, ask yourself whether the processes currently in place support your mission, vision, and strategy.

Make the Right Trade-Offs

Keep in mind that the extent and types of processes you need depend on the trade-offs you need to make. Think, for example, about whether your primary goal is to drive flawless execution or to stimulate innovation.[3] You can't hope to execute with high levels of quality and reliability (and low costs) without an intensive focus on developing processes that specify both the ends and the means (methods, techniques, tools) in exquisite detail. Obvious examples are manufacturing plants and service delivery organizations. But these same sorts of processes can impede innovation. So if stimulating innovation is your goal, you may need to develop processes that focus on defining ends and rigorously checking progress toward achieving them at key milestones, and not so much on controlling the means people use to achieve the results.

Analyze Processes

A credit card company that sought to identify its core processes came up with the results shown in table 6-1. It then mapped and improved each of these processes, developing appropriate measurement schemes and altering reward systems to better align behaviors. It also focused on identifying key bottlenecks. For critical tasks that were insufficiently under control, the company revamped procedures and introduced new support tools. The result was a dramatic increase in both customer satisfaction and the productivity of the organization.

Your unit or group may have just as many processes as the credit card company. Your first challenge is to identify those

TABLE 6-1

Process analysis example

Production/Service-delivery processes	Support/Service processes	Business processes
Application processing	Collections	Quality management
Credit screening	Customer inquiry	Financial management
Credit card production	Relationship management	Human resource management
Authorizations management	Information and technology management	
Transaction processing		
Billing		
Payment processing		

processes and then to decide which of them are most important to your strategy. For example, suppose your group's strategy emphasizes customer satisfaction over product development. You would want to ensure that all the processes involved in delivery of products or services to customers support that goal.

Align Processes with Structure

If your group's core processes are to support its strategic direction, they must also align with the unit's structure (the way people and work are organized). We can compare this relationship to the human body. Our anatomy—skeleton, musculature, skin, and other components—is the structural foundation for the body's normal functions. Our physiology—circulation, respiration, digestion, and so on—is the set of systems (or processes) that enable the various parts of the body to work together. In organizations, as in human bodies, both the structure and the processes must be sound and must reinforce one another.

To evaluate the efficiency and effectiveness of each core process, you should examine four aspects:

- **Productivity.** Does the process efficiently transform knowledge, materials, and labor into value?
- **Timeliness.** Does the process deliver the desired value in a timely manner?
- **Reliability.** Is the process sufficiently reliable, or does it break down too often?
- **Quality.** Does the process deliver value in a way that consistently meets required quality standards?

When processes and structure mesh with each other, the good results are clear to see. For example, a customer service organization structured around specific customer segments also shares information across teams and responds effectively to issues that affect all customer groups.

But when processes and structure are at odds—as when different teams compete for the same set of customers using different sales processes—they hamstring one another and subvert the group's strategy.

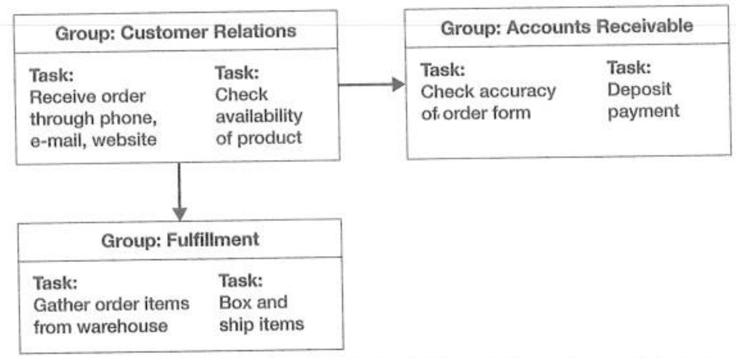
Improve Core Processes

How do you actually improve a core process? Start by making a *process* (or *work-flow*) *map*—a straightforward diagram of exactly how the tasks in a particular process flow through the individuals and groups who handle them. Figure 6-2 shows a simplified process map for order fulfillment.

Ask the individuals responsible for each stage of the process to chart the process flow from beginning to end. Then ask the team

FIGURE 6-2

A process map



to look for bottlenecks and problem interfaces between individuals responsible for adjacent sets of tasks. For example, errors or delays may occur when someone in customer relations communicates to the fulfillment group the need for special handling of an order. Process failures are commonplace during hand-offs of this kind. Work with the team to identify opportunities for high-leverage improvements.

Process analysis stimulates collective learning. It helps the entire group understand exactly who does what, within and between units or groups, to carry out a particular process. Creating a process or work-flow map also sheds light on how problems arise. You, your boss, and your group can then decide how best to improve the process—for example, by streamlining and automating work flows.

A few words of caution. You are probably responsible for a number of processes. If so, manage them as a portfolio, focusing on a few at a time. Take care to factor in your organization's capacity to absorb change.

Developing Your Group's Skill Bases

Do your direct reports have the skills and knowledge they need to perform your group's core processes superbly—and thus to support the strategy you have identified? If not, the entire architecture of your group could be compromised. A skill base comprises these four types of knowledge:

- **Individual expertise.** Gained through training, education, and experience
- **Relational knowledge.** An understanding of how to work together to integrate individual knowledge to achieve specified goals
- **Embedded knowledge.** The core technologies on which your group's performance depends, such as customer databases or R&D technologies
- **Metaknowledge.** The awareness of where to go to get critical information—for example, through external affiliations such as research institutions and technology partners

Identify Gaps and Resources

The overarching goal of assessing your group's capabilities is to identify (1) critical gaps between needed and existing skills and knowledge and (2) underutilized resources, such as partially exploited technologies and squandered expertise. Closing gaps and making better use of underutilized resources can produce significant gains in performance and productivity.

To identify skill and knowledge gaps, first revisit your mission and strategy and the core processes you identified. Ask yourself what mix of the four types of knowledge is needed to support your

group's core processes. Treat this as a visioning exercise in which you imagine the ideal knowledge mix. Then assess your group's existing skills, knowledge, and technologies. What gaps do you see? Which of them can be repaired quickly, and which will take more time?

To identify underutilized resources, search for individuals or groups in your unit who have performed much better than average. What has enabled them to do so? Do they enjoy resources (technologies, methods, materials, and support from key people) that could be exported to the rest of your unit? Have promising product ideas been sitting on the shelf because of lack of interest or investment? Could existing production resources be adapted to serve new sets of customers?

Changing Architecture to Change Culture

Keep in mind that culture is not something you can change directly. It is powerfully influenced by the four elements of organizational architecture, as well as by leadership behaviors. The implication is that to change the culture, you need to change the architecture as well as reinforce what you're trying to do with the right leadership.

One example is changing the metrics by which you judge success and then aligning employees' objectives and incentives with those new measures. For instance, consider changing the balance between individual and group incentives. Does success require people to work closely and coordinate with one another—for example, in a new-product development team? If so, then put more weight on group incentives. Do people in your group operate independently—for example, in a sales unit? If so, and if their individual contributions to the business can be measured, then place more emphasis on individual incentives.

Getting Aligned

Draw on all the analyses discussed in this chapter to develop a plan for aligning your organization. If you're repeatedly frustrated in your efforts to get people to adopt more productive behaviors, step back and ask whether organizational misalignments might be creating problems.

ACHIEVE ALIGNMENT—CHECKLIST

1. What are your observations about misalignments among strategic direction, structure, processes, and skills? How will you dig deeper to confirm or refine your impressions?
2. What decisions about customers, capital, capabilities, and commitments do you need to make? How and when will you make these decisions?
3. What is your current assessment of the coherence of the organization's strategic direction? Of its adequacy? What are your current thoughts about changing direction?
4. What are the strengths and weaknesses of the organization's structure? What potential structural changes are you thinking about?
5. What are the core processes in your organization? How well are they performing? What are your priorities for process improvement?
6. What skill gaps and underutilized resources have you identified? What are your priorities for strengthening key skill bases?

CHAPTER 7

Build Your Team

When Liam Geffen was appointed to lead a troubled business unit of a process automation company, he knew he was in for an uphill climb. The extent of the challenge became clearer when he read the previous year's performance evaluations for his new team. Everyone was either outstanding or marginal; there was nobody in between. It seemed his predecessor had played favorites.

Conversations with his new direct reports and a thorough review of operating results confirmed Liam's suspicion that the performance evaluations were skewed. In particular, the VP of marketing seemed reasonably competent but by no means a minor god. Unfortunately, he believed his own press. The VP of sales struck Liam as a solid performer who had been scapegoated for poor judgment calls by Liam's predecessor. The relationship between marketing and sales was understandably tense.

Liam recognized that one or both of the VPs would probably have to go. He met with each of them separately and bluntly told