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Leading the Development of Learning Capacity in Organizations:
Sustaining Momentum of Change

presented by

Robert William George Hedley

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**LEADING THE DEVELOPMENT OF LEARNING CAPACITY IN
ORGANIZATIONS: SUSTAINING MOMENTUM OF CHANGE**

By

Robert William George Hedley

A DISSERTATION

**Submitted to
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in partial fulfillment of the requirements
for the degree of**

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College of Education

2002

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ABSTRACT

LEADING THE DEVELOPMENT OF LEARNING CAPACITY IN ORGANIZATIONS: SUSTAINING MOMENTUM OF CHANGE

By

Robert William George Hedley

This qualitative study of executive leaders (sponsors and champions of change) and organizations focused on how leaders build the capacity to learn, through initiatives designed to create profound sustainable change. The purpose was to understand how leaders perceive the nature of building capacity within the change initiative, and how they engage growth and limiting forces to shape and address the initiative. Eight participants, executive leaders with extensive experience, were interviewed. Each participant described how he/she handled the forces of growth and resistance and built and sustained the momentum for change. The executives described their roles and the tactical approaches they took to foster collaboration, share knowledge, and develop new individual and organizational capabilities.

The executive participants were identified through a network of professional contacts and had to meet established criteria. Each executive participated in three interviews: a preliminary qualifying telephone conversation, an initial interview; and a follow up semi-structured interview. This methodology gave each participant an opportunity to reflect and create a new sense of meaning and knowing from past events. Interview data was

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analyzed to determine patterns and then compared with other interview data to discover common sub patterns and themes. The analyzed data was used to create a case narrative that best represented the executive leaders' stories.

The study's findings support four theories: building organizations with meaningful work is a cooperative creative process; organizational learning capacity relies on people with the capacity to produce results that are truly important to them; leaders implicitly follow Kotter's eight stage change process; and, gains from enhanced learning capacity are sustainable, cumulative and self-reinforcing. Improved understanding of the change process limitations and constraining forces of change, as well as the affects of improved learning capabilities on those involved in change, may have practical implications for all leaders of change, managers, workplace educators consultants and higher education.

The findings offer a change process model for executive leaders embarking on their first change initiative as the executives interviewed all had a well-developed discipline of focusing peoples' attention on the results most desired and the truth about the current reality. The capacity to cultivate and maintain a creative tension was found to be a key capability of the executive leaders. This capability lies in one's ability to cope with and maintain a creative rather than a reactive stance to the anxiety associated with an identified gap between desired state and current state.

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Dedication

This dissertation is dedicated to my family who inspires me to be the best that I can be. They give meaning to my being by contributing so much so, I may pursue my dreams.

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I am also grateful for the time and effort of my committee members: Marilyn Amey, John Beck and Steve Weiland. These individuals all made timely invaluable and much appreciated contributions to the final form of this dissertation.

I would also like to thank Howard Hickey who early on in my journey at MSU guided and encouraged me. Later after his retirement, Howard stayed in touch and provided insight and helped put the study in its proper perspective.

During this educational journey many professional friends and colleagues encouraged me with their enthusiasm for my own development as a leader. I am grateful for the editorial input provided by Linda Moxley and personal coaching support provided by Sue Sheldon. I especially want to thank John Rankin, Janice Wismer, Wayne Johnson and Michael McCain for their exemplary leadership and personal support.

Acknowledging the support and love of my family is foremost in my heart and mind. To my parents, Bill and Lorraine who taught me the importance of family; to my children, Erica and Stephanie who inspire me to be the best that I can be; and, my lifelong partner, Pat who endured my unpredictable temperament, yet sacrificed herself to make it possible for me to finish this amazing journey.

Table of Contents

THE RESEARCH PROBLEM.....	1
INTRODUCTION	1
BACKGROUND AND RATIONALE	3
RESEARCH QUESTIONS.....	8
OPERATIONAL DEFINITIONS	8
SIGNIFICANCE OF THE STUDY.....	10
LIMITATIONS AND DE-LIMITATIONS	12
<i>Researcher Bias</i>	12
<i>Gender Bias</i>	13
<i>Subjectivity</i>	13
<i>Sampling Method</i>	13
<i>Sample Size</i>	14
<i>Generalization of the Findings</i>	14
REVIEW OF LITERATURE	15
THE TIMELINE OF LEARNING ORGANIZATION CONCEPT DEVELOPMENT.....	16
UNDERSTANDING THE CHALLENGES OF CHANGE	17
ORGANIZATIONAL LEARNING IN THE WORKPLACE	19
FIGURE 2.1: TEN CHALLENGES OF CHANGE.....	20
THE TYPES OF ORGANIZATIONAL LEARNING	21
DEALING WITH CHANGE.....	24
FIGURE 2.2: FIVE RESPONSES FOR DEALING WITH CHANGE.....	25
CREATING THE CONDITIONS FOR STRATEGIC OR PROFOUND CHANGE	26
FIGURE 2.3 LANGUAGE: FOUR ARCHITECTURES OF ATTENTION	28
LEADING CHANGE SUSTAINING THE MOMENTUM.....	28
LEADERS AND CHANGE	30
<i>The Notion of Organizational Leadership</i>	31
<i>Leaders versus Managers</i>	32
<i>Characteristics of Leaders of Change</i>	32
<i>Transformational Leadership</i>	34
SUMMARY COMMENT	35
DESIGN AND METHODOLOGY	36
PURPOSE OF THE STUDY.....	36
EPISTEMOLOGICAL ISSUE	37
RESEARCH DESIGN.....	38
CONTEXTUAL SETTING AND PARTICIPANT SAMPLE.....	39
DATA COLLECTION PROCEDURES	41
FIGURE 3.1: SEMI STRUCTURED INTERVIEW QUESTIONS	42
DATA ANALYSIS	43
<i>Trustworthiness</i>	45
FIGURE 3.2: PROCESS VIEW OF THE DATA ANALYSIS	45

PARTICIPANT DEMOGRAPHICS	48
PARTICIPANT BACKGROUNDS	49
THE INTERVIEW ANALYSIS.....	52
CASE NARRATIVE EXAMPLE: CREATING THE COMMON WILL THROUGH THE ELEVATION OF ORGANIZATIONAL DISSATISFACTION	53
THE CHANGE CONTEXT.....	53
<i>The company</i>	53
<i>Executive leader's role</i>	53
<i>The change initiative</i>	55
THE NATURE OF THE CHANGE EXPERIENCE	56
<i>The company-dealer relationship</i>	56
<i>Engaging Conversations to create a sense of dissatisfaction: The dealer dialogue</i>	58
<i>Creating a 'Burning Platform' to foster the creation of a 'Common Will'</i>	59
<i>Reframing the Relationship from Seniority based structure and process to Performance Driven</i>	61
ENGAGING THE RESISTANCE TO CREATE CHANGE	61
<i>The change process</i>	61
<i>Changing the organizational culture</i>	62
<i>A Metaphor for Engaging the Forces of Change</i>	63
ENGAGING THE FORCES OF GROWTH – CO-CREATING THE FUTURE ORGANIZATION	65
<i>Developing new learning capabilities</i>	66
<i>New organizational learning capacity emerges</i>	67
SYNOPSIS OF THE CASE NARRATIVE.....	69
INTERESTS.	71
SUMMARY OF FINDINGS	76
QUESTION 1: WHAT ARE EXECUTIVE LEADER PERCEPTIONS OF THE NATURE OF BUILDING ORGANIZATIONAL LEARNING CAPACITY WHILE ENGAGED IN CHANGE INITIATIVE(S)?	77
<i>"Change work is like 'sailing into the wind" Bert</i>	77
<i>Involving those affected sustains profound change</i>	77
<i>Organizational Change follows a Process</i>	78
<i>Success and failure can build learning capacity at the individual and organizational level</i>	79
<i>Executive leaders model the habits and capabilities needed to sustain lifelong learning</i>	80
QUESTION 2: WHAT ARE THE ROLE(S) EXECUTIVE LEADERS UNDERTAKE TO BUILD LEARNING CAPACITY WITHIN THE CHANGE INITIATIVE?	81
THE THREE LEADERSHIP ROLES.....	82
<i>The strategic capabilities role</i>	83
<i>Change or process champion role</i>	84
THE EDUCATIVE ROLES: TEACHER-COACH-MENTOR	84
QUESTION 3: WHAT ARE THE WAYS IN WHICH GROWTH AND LIMITING FORCES SHAPE AND ADDRESS THE CHANGE INITIATIVE?	85

<i>Executive leaders model the habits and capabilities needed to sustain lifelong learning.....</i>	80
QUESTION 2: WHAT ARE THE ROLE(S) EXECUTIVE LEADERS UNDERTAKE TO BUILD LEARNING CAPACITY WITHIN THE CHANGE INITIATIVE?.....	81
THE THREE LEADERSHIP ROLES	82
<i>The strategic capabilities role</i>	83
<i>Change or process champion role.....</i>	84
THE EDUCATIVE ROLES: TEACHER-COACH-MENTOR.....	84
QUESTION 3: WHAT ARE THE WAYS IN WHICH GROWTH AND LIMITING FORCES SHAPE AND ADDRESS THE CHANGE INITIATIVE?	85
<i>Leaders' capabilities define the limit of organizational ability to confront the internal and external forces.....</i>	85
<i>Involve all stakeholders: overcome fear and regenerate common will or sense of purpose to promote creativity</i>	87
<i>Co-creating the vision</i>	87
<i>Developing Individual learning capabilities that foster generative learning and creative leadership behaviors</i>	88
<i>Prevent stalling by using fact based analysis and aligning people with the organization's work</i>	90
<i>Celebrate and anchor gains and wins.....</i>	91
CONCLUSION.....	91
CHAPTER FIVE.....	93
CONCLUSIONS – RECOMMENDATIONS	93
CONCLUSIONS	93
APPROACHES TO UNDERSTANDING THE CHALLENGES OF CHANGE	93
<i>Personal Commitment and a Passion to Improve Performance</i>	95
<i>Leading Change – Sharing Responsibility for Creating Sustainable Growth through Involvement.....</i>	96
DEVELOPING LEARNING CAPABILITIES	98
<i>Living in the Gap – Leading Change and Sustaining the Momentum ..</i>	100
SUMMARY OF CONCLUSIONS	102
IMPLICATIONS FOR LEARNING ORGANIZATIONS	103
PRACTICAL IMPLICATIONS.....	103
THE IMPLICATIONS FOR HIGHER ADULT AND LIFELONG LEARNING	106
THE IMPLICATIONS FOR FURTHER RESEARCH.....	107
APPENDIX B.....	112

APPENDIX C	113
LEADERSHIP CASE NARRATIVE #4	113
EXECUTIVE LEADER'S BACKGROUND	114
<i>Executive Leaders' Role</i>	115
<i>The Nature of Change</i>	119
<i>The Executive Leader's Imprint</i>	119
<i>Building Momentum</i>	120
<i>The Change Model</i>	121
APPENDIX D	127
LEADERSHIP CASE NARRATIVE #6	127
LEADING CHANGE IN THE PUBLIC SERVICE DURING ECONOMIC DOWN TURNS ..	127
<i>Background</i>	127
EXECUTIVE LEADER'S BACKGROUND	128
EXECUTIVE LEADER'S ROLE	128
THE NATURE OF CHANGE	129
INTERNAL INPUT	131
RE-ENGINEERING	132
VALUE OF COMMUNICATION	134
LESSONS LEARNED	136
ROLE MODELING	139
LEADING BY LEARNING	141
GOOD NEWS/BAD NEWS	141
APPENDIX E	144
LEADERSHIP CASE NARRATIVE #3	144
CHANGE EXPERT QUESTIONS UNREALISTIC EXPECTATIONS	144
THE ENVIRONMENT	144
TIME	145
EDWARD'S CHANGE MODEL	148
MAKING CHANGE WORK	149
BARRIERS TO CHANGE	151
SUCCESSFUL CHANGE	153
APPENDIX F	156
THE COMPOSITE CASE: LEADER UNITES CLASHING CULTURES TO BUILD GLOBAL	
HIGH-TECH ORGANIZATION	156
THE CONTEXTUAL SITUATION	156
<i>The company</i>	156
<i>Executive leader's role</i>	157
<i>The change initiative</i>	158
<i>Building one culture and sustaining momentum</i>	159
<i>The learning processes</i>	161
<i>Building capacity through new learning capabilities</i>	163
<i>Uncovering the common will by examining the assumptions</i>	166

TABLE OF FIGURES

FIGURE 2.1 TEN CHALLENGES OF CHANGE.....	20
FIGURE 2.2 FIVE RESPONSES FOR DEALING WITH CHANGE.....	25
FIGURE 2.3 LANGUAGING: FOUR ARCHITECTURES OF ATTENTION...	28
FIGURE 3.1 SEMI STRUCTURED INTERVIEW QUESTIONS.....	42
FIGURE 3.2 PROCESS VIEW OF THE DATA ANALYSIS.....	45

Chapter One

The Research Problem

Introduction

Since 1982, almost two thirds of the organizations listed in the top 500 companies of North America have either gone out of business, experienced decline or been purchased by other companies (De Geus 1997). Many such businesses like the aircraft manufacturer Boeing, and the retail services company Eaton's, were even cited in books like 'In Search of Excellence' (Peters & Waterman 1982) as highly successful organizations. Yet in the 1990's Boeing narrowly escaped failure as the aerospace industry diversified and globalized. Eaton's, after over 100 years of successful operation, succumbed in less than a decade to competitive pressures and diversification of the retail industry.

Why do companies fail to adapt successfully? According to Pascale (1990), some companies continue to engage in the development of practices suited to a paradigm that no longer conforms to the shifting reality of the marketplace. For example, companies that continued to refine the manufacture of analog technologies in the face of the more advanced digital technology demanded by consumers failed to make the necessary strategic changes. In part, because their leaders either did not realize in time, or failed to perceive, the coming of the next paradigm shift (Barker 1992, Pascale, 1990).

There are numerous examples of the attempt business leaders have made to strategically change their respective organizations. Feeling the need for urgent change during the 1980s and 1990s, many organizational leaders undertook a variety of work place reforms popularized as reengineering, reinvention, renewal, downsizing, rightsizing, or transformation (Hammer 1996, Peters & Waterman 1982). Many of these change initiatives became

unsustainable and produced less than expected results or failed. Studies conducted by Little and McKinsey (1992) and Champy, (1995) indicated that two thirds of the TQM (Total Quality Management) initiatives failed or were less than successful. Kotter (1995) studied one hundred executive led change initiatives and discovered that many failed, a few were successful and the majority produced less than expected results. A number of researchers have concluded that these failures and partial successes have not been remedied by bringing into the organization more expert advice, better consultants, or more committed managers (de Geus 1988, Kotter 1995, Scharmer 1999, Argyris, 1994). Rather, the source of these failures lies in the most basic ways of thinking about change (Senge et al 1999).

There is some evidence that initiatives designed to enhance learning capabilities and the collective organizational learning capacity are proving to be more sustainable, cumulative, and self-reinforcing (Argyris 1994, Dennis 1993, de Geus 1997, Roth & Kleiner, 1998, Scharmer 1999, Senge et al., 1999, Slocum 1998). In the last decade, executive leaders responsible for legitimizing change in organizations (Conner 1993) have begun dealing with the forces that limit and constrain the growth of the organization. These executives led initiatives aimed at increasing the collective learning capacity within their organizations (Argyris 1994, Scharmer 1999, Senge et al., 1999). To date there is very little known about how executive leaders engage in these roles or how they perceive the building of learning capacity within the change initiative.

This study focused on executive leaders that have explicitly sought to enhance their organization's capacity to learn. The purpose of this study was to understand how executive leaders perceive the nature of building learning capacity within the change initiative, their role(s), and the ways in which growth and limiting forces shape and address that initiative.

Background and Rationale

Historically, organizations have relied on the executive leadership working within the prevailing system of management to plan and execute organizational change (Argyris 1994, Bennis 1994, Byrd 1987). These executive leaders have relied on the use of strategic planning processes to generate assumptions and make business decisions. However, there are profound limits embedded in the prevailing system of management. These limits include the following:

- The hoarding of power
- the commitment of managers to change as long as it doesn't affect them
- the "undiscussable" topics that people feel are risky to talk about, and
- The management "silo" structure, which produces powerful incentives to fix problems in the local functional areas, but not to address the interactions among silos, where real problems are, generated (Senge et al. 1999, p 8).

In addition to internal limits, there are external limits or forces, such as competitive pressures, globalization and diversification. Toffler states that "the leader's failure to perceive change and take action is due in-part to a dangerous mismatch between the amount of decision-making that executives have to do, information that's available and the speed at which an answer is required" (2000, 4). Toffler also suggests that "business leaders need a vision, a sequence of temporary strategies, a process with some climate (positive atmosphere) that makes it possible to successfully adapt" (2000, 4). The notion of temporary strategies and processes are referred to as adaptive-strategies." They play an important role in enabling the organization to shift or flex to the increasing diversity that permeates today's market place (Mintzberg 1989, Conner 1997). Also, as organizations gain experience

forming and executing adaptive strategies, executive leaders have begun to pay more attention to the development of new capabilities needed to create the climate that sustains change, thus reinforcing organizational growth (Argyris, 1994; Senge et al., 1999; Toffler 2000).

This attention to the development of new capabilities became evident in the mid 1980's, as leaders turned their focus to the development of learning processes and systems that would enhance or improve the quality of business production and results (Argyris 1994, Senge et al., 1999, Marquardt & Reynolds 1994). According to Argyris, this example of learning capacity development was exemplified by businesses that relied on the outsourcing of production and adaptive or single-loop learning business strategies as a means to be fast, flexible or as the current vocabulary puts it, "agile". According to Dodgson (1993) single-loop or adaptive learning can be equated to activities that add to the knowledge base or firm-specific competencies or routines without altering the fundamental nature of the organization's activities. McGill and Slocum Jr. (1992) use the example of General Electric (GE) of the 1980-90's, when they used an outsourcing strategy combined with adaptive or single-loop learning to maximize profitability. This strategy resulted in the outsource manufacturers developing research and development capabilities, marketing products under their own brand, and thus becoming competitors and eventually winning market share from GE

By the 1990's, adaptive strategies, which implemented change initiatives like total quality management, downsizing, and re-engineering brought less than expected results, and the growing mismatch between the need for change and the organization's ability to adapt and innovate continued. Argyris suggests that although strategy is essential, its purpose is to avoid vulnerability and risk. To over-come this natural resistance or risk aversion to change he suggests that business leaders need to develop the capacity for double-loop or generative learning within the organization

(Argyris 1994). This type of learning occurs when people in organizations question and modify existing norms, procedures, policies and objectives. This learning also involves changing the organization's knowledge base or firm-specific competencies or routines (Dodgson 1993). This will drive out the underlying issues not examined in the absence of generative learning, when executives encounter embedded resistance to change (Argyris 1994).

The challenges of diffusing innovative practices or helping the organization learn from its own members, illustrate the problems business leaders tackled while developing double-loop or generative learning capability within their respective organizations. For example, many companies are rife with pilot projects or "skunk works" (semi-isolated teams that produce breakthroughs in product development or process design). Sympathetic, often-frustrated executives do not know where to begin to facilitate the transfer of useful knowledge between people, and across boundaries of groups, departments and divisions (Senge et al., 1999, Rogers 1995). Attempts to manage knowledge, using information management systems such as databases to capture and spread 'knowledge', have generally produced less than expected results and often at great expense. This occurs because "the underlying causes are similar: the organizational design isolated work groups to intentionally keep information from one another and management practices pit teams against one another in competition" (Brown & Duguid 1991, p 43).

Symptoms of the challenge of diffusion go beyond the failures of knowledge management. They include distrust, and lack of faith, confidence and an absence of learning communities (Brown 1991, Senge et al., 1999). Dennis Sandow, quoted in Senge et al., (1999, p420). Brown notes, there is growing evidence that "embedded in our organizations are self-organizing social networks that are a primary means of learning about our capacity to support each other and our community, as well as the company's goals."

Nancy Dixon suggests that executive leaders need to foster cultural change and support the change by designing cross-organizational learning infrastructure to facilitate the diffusion of innovation (Dixon 1999).

Recently, leaders of change are addressing limits and constraints by focusing on the development of 'learning capabilities', which Senge (1999, p45) defines as "those skills and proficiencies that, among individuals, teams, and larger communities, enable people to consistently enhance their capacity to produce results that are truly important to them." These new learning capabilities include the ability to reflect on and clarify personal aspirations, to build shared aspirations, to talk openly about complex conflictive issues without invoking defensiveness, and to think cogently about systems and act effectively on systemic issues (Porter, 1998; Wiersema & Treacy 1995; Wheatley 1994; Senge et al., 1999). This type of learning initiative is referred to as deuterio or organizational learning (Nevis, et al., 1995). While there are documented successes, many have also failed (Barker 1993, Kotter 1997, Senge et al., 1999). It seems that focusing on the change and the development of learning capabilities is essential for successful strategic change. Therefore, without a greater understanding of the processes that limit their growth, the rate of success of these change initiatives may not improve.

The emphasis on strategic organizational change is shifting from short-term renewal efforts to strategic change initiatives aimed at creating a more profound organizational change sustained over time (Scharmer 1999, Senge et al., 1999). De Geus studied companies who have successfully sustained their organizations over periods of time that included shifts due to global war, societal upheaval and changes in the economy. These organizations were characteristically based on a 'living' set of values and principles that were periodically renewed, and re-interpreted by the people working in the organizations. He also found these organizations were able to sustain

change over time, not by focusing solely on the development of new products, but rather on the development of capabilities aimed at providing relevant service within the organization and to customers (De Geus 1997). This suggests that leaders responsible for change need to understand more about processes that can nurture growth, as well as those that slow or cause change initiatives to fail. They need to understand and take action on those constraints that limit growth and development of new capabilities. According to Senge et al., (1999, p8), "entreating people to try harder, to become more committed, to be more passionate, cannot possibly have much lasting effect." Sustaining change requires understanding the reinforcing growth processes and what is needed to catalyze them, and addressing the limits that keep change from occurring."

The role(s) played by business or executive leaders are evolving rapidly, with the need to grow the organization's capacity to learn and sustain the momentum of change (Connor 1997). According to David Kantor and Steven Ober in Senge et al., (1999, p262), "idealizing", "great leaders" and "heroic figures" is a surefire way to create and maintain change-averse organizations. The alternative is to focus on leadership communities, such as the interplay between executive leaders, line leaders and network leaders. There is much more leverage when these three types of leaders act together, than when any "hero" acts alone.

Conner (1997) defines the executive's role metaphorically as 'sponsor' of change. The sponsor is a business leader or executive who legitimizes change, allowing for broader and more diverse participation of line leaders and network leaders in the conception of strategy, and planning and execution of change initiatives (Conner 1995). Conner refines this definition by differentiating between the initiating sponsor and sustaining sponsor roles and activities that occur during the change cycle. Jaques and Casson (1994) support this description of the business leader change role and adds that,

depending on the size of the organization, the sponsor's position is *not more* than two levels removed from the Chief Executive Officer (CEO). Also, the sponsor or business leader is responsible for decisions that affect the organization's livelihood over a period of time that coincides with the organization's vision, usually not less than three years, and *often* five or more years.

It is evident that the learning capacity of an organization plays an increasingly vital role in the continued success of an organization. It is also evident that executive leaders play a critical role(s) in growing that capacity in order to sustain the momentum of change. There is a need to understand how executive leaders perceive the nature of building learning capacity within the change initiative, their role(s) and the ways in which growth and limiting forces shape and address that initiative.

Research Questions

This study addressed the following questions:

1. What are executive leader perceptions of the nature of building organizational learning capacity while engaged in change initiative(s)?
2. What are the role(s) executive leaders undertake to build learning capacity within the change initiative?
3. What are the ways in which growth and limiting forces shape and address the change initiative?

Operational Definitions

Learning Capabilities are skills and proficiencies that, among individuals, teams, and larger communities, enable people to consistently enhance their

capacity to produce results that are truly important to them (Senge et al., 1999, p. 45).

Change Initiative(s) come in many shapes and sizes. They can be as simple as a series of meetings on a crucial business objective or as complex as a corporate wide “transformation”. They are often linked to other types of corporate change activities: in-depth quality improvement efforts, “sociotechnical” high-performance team projects, marketing reorganizations, environmentalism, and participative process redesign efforts (Senge et al., 1999, p. 43).

Growth Processes refer to three fundamental reinforcing processes that sustain profound change by building upon each other, only one of which is concerned explicitly with improved business results: enhancing personal results, developing networks of committed people, and improving business results (Senge et al., 1999, p. 42).

Limiting Forces are sets of forces that oppose change. They come into play in all initiatives aimed at deep and extensive or “profound” change. “They are, as best as we can tell, the organizational analogs to water, soil, nutrients, sunlight, and space for roots to spread (Senge et al., P, 26)”. Examples include the challenges of: control; adequate support resources; relevance; management clarity, consistency and work context; conflict between groups and organizational culture; fear and anxiety; negative reinforcement; isolation and ignorance; prevailing governance structure; and diffusion of innovation (Senge et al., 1999).

Organizational Strategy and Purpose involves revitalizing and rethinking the organization’s intended business focus, its contribution to its community, and its identity (Senge et al., 1999, p. 29).

Organizational Learning is the way firms build, supplement, and *organize* knowledge and routines around their activities and within their *cultures*, and adapt and develop organizational efficiency by improving the use of the broad skills of their workforces (Dodgson 1993, p 377).

Learning Organization is a firm that purposefully constructs structures and strategies so as to enhance and maximize organizational learning (p 377).

Significance of the Study

This study will identify practical implications by describing and interpreting the executive leaders' experience. The common insightful perceptions about the nature of change gathered from the stories of executive leaders engaged in the development of learning capabilities and organizational learning capacity may have direct application in higher education and other public and private sector organizations. Analyzing and gaining a greater understanding of the process limitations and constraining forces, also may have practical implications for all leaders of change, managers, workplace educators, consultants and employees. Other practical implications include:

- Clarifying the educative role(s) executive leaders play in supporting the development of learning capabilities and organizational learning capacity within strategic change initiatives;
- Identifying those role(s) specific to the position of Chief Learning Officer or Strategic Capabilities Executive;
- Building a greater understanding of the requisite experience, roles, teams, and learning needed to prepare business leaders for the leader's role;
- Identifying the formal and informal learning programs that have proven beneficial to leaders in their work role or as developmental experiences; and,

- Identifying communities of **practices** relevant for business **leaders** in organizations.

The results of the study provide valuable information to individuals, groups and organizations about case examples of strategic change, and the learning initiatives that have either failed or succeeded in the goal of developing sustainable change in an organization. If we can gain greater understanding of the executive's role in leading strategic change initiatives, then we may provide information helpful in the selection and development of executives. From a practical standpoint, the shared experience of these executive leaders can provide a template model for individuals about to undertake their first change initiative.

There are implications for theory building in the fields of leadership, organizational or deutero learning, generative or double-loop learning, diffusion of innovation, workplace learning, and transformative learning, organizational change process and systems management. In addition, we may discover information that underscores the value of learning in organizations, such as implications for:

- Designing curricula and delivering mid-career higher education leading to Master's and Specialist's degrees;
- Building communities of executive leaders who are committed to the development of organizational learning capacity within change initiatives;
- Building learning communities and/or other cross boundary knowledge sharing infrastructures in organizations;
- Building information systems for knowledge management on the development of generative learning within the organization and its impact on a strategic change initiative;
- Mitigating the impact of process limitations and constraining forces on employees and front line managers; and,

- Understanding the effects of improved learning capabilities on employees and front-line managers.

Limitations and De-limitations

While this study seeks to understand the experience and perceptions of organizational leaders known as 'leaders of change', and roles played by these leaders, the case study narrative is limited to the following:

- Organizations and leaders who are committed to enhancing the collective learning capacity by developing learning capabilities to sustain strategic change;
- The interrelationship played between 'strategy and purpose' and organizational change through networks of committed people, personal results, and business results;
- The voice and interpretation of leaders of change in organizations; and,
- Large business (private sector) and public educational (public sector) organizations operating in Toronto, Ontario, Canada.

The following are some potential limitations of the study methodology:

Researcher Bias

Qualitative research requires direct interaction of the researcher with the participants and the data. "The researcher needs to be aware of the need to suspend his or her own beliefs and predisposition" (Bogdan & Biklen 1975. p. 9). Lincoln and Guba (1986) suggest that qualitative researcher bias may occur during the development of questions and during the interview process either verbally or non-verbally. In this study, the investigator also needs to be cognizant of possible biases, due to work experience gained as professional

organizational development consultant and senior director in *leading* numerous learning initiatives.

Gender Bias

The participant selection process identified both male and female subjects in proportions similar to that of the total population of executives. The researcher endeavored to develop rapport with each subject by listening intently to understand the participant's statements and reflect candidly with secondary and tertiary questions to seek greater understanding of intent. This issue was contextual to the gender, personality, age, ethnicity, setting, time and proved to be of no particular concern to the study (Glazer 1967, Gonzalez 1986, Bradley 1979 in Glesne & Peshkin 1992, p76).

Subjectivity

Participants are providing subjective information in narrative form and both the participants' responses and the researcher's interpretations are perceptual and interpretive in nature. "To explain and understand human social behavior, we need to know the meaning attached to it by the participants themselves, nevertheless it is important to be aware of the subjective-objective distinction" (Nielsen 1990. p. 7).

Sampling Method

Study participants were recruited through a referral network of professional contacts. The sampling, may be somewhat limited by the availability of individuals who meet the selection criteria. The researcher exercised care in the selection process by thoroughly explaining the purpose and significance of the study and by making potential participants aware of

their involvement and time requirements. In one sense, it was a *random* selection of participants because the first eight participants who *met the* criteria and who were willing to participate comprised the sample.

Sample Size

The sample was limited to twenty subjects. These subjects met the selection criteria established for the study. The data necessities to establish the emergent themes, patterns and sub patterns were achieved by interviewing eight subject participants.

Interpretation of the Data

Since the data interpretation is subjective, the results, conclusions and recommendations were limited to the place and time in which the study was conducted.

Generalization of the Findings

The findings were limited to the perceptions of those subjects studied. Generalizations or transferability of the conclusions and recommendations to a larger population was not the primary objective of the study. In future studies, additional knowledge may be gleaned by examining the change initiative(s).

Chapter Two

Review of Literature

Few leaders understand the depth of commitment required building a learning organization. As Bill O'Brien, a retired CEO once put it: "This involves the willingness to change our mental models." In practice, it is disorienting and deeply humbling, because our old mental models were the keys to our confidence and our competence. To be a real learner is to be ignorant and incompetent. Not many top executives may be up to that.

Senge & O'Brien, 1998

Others agree with Senge and O'Brien. According to Jaworski, "Nowhere **does** the burden for leading change land harder than on the shoulders **of** senior management. By their nature, traditional hierarchical organizations concentrate power at the top," (Jaworski, 1998, 1). So, it is inevitable **that** those in the most senior positions are seen as having the greatest responsibility for change. But the people at the top got there by mastering **the** old system. In many ways, executives in the top two to three layers of management have the most invested, psychically as well as financially, in the prevailing management system. In other words, "those with the greatest responsibilities to lead in the changes that lie ahead may be the least able to do so," (Jaworski, 1998, 1).

Current management literature is full of practical advice and suggestions. After downsizing, rightsizing, reengineering, renewals, leadership change, and other reactions to excess capacity, the literature has little **to** offer about how to achieve a sustainable yet profound change (Jaworski, Gozdz, & Senge 1998). Many firms are trapped in a vicious cycle of short-term cost reduction at the expense of long-term revenue creation, renewed financial pressure, and further downsizing. Clearly, it is not desirable to downsize an organization into long-term health and competitiveness (Jaworski, et al., 1998, p1). While the need for

organizational change is clear, *the nature of the changes needed is not. This chapter will begin with a brief summary of the key concepts developed between 1938 and 1989. Then the chapter will delve into the work in progress and related action research of The Society for Organizational Learning (SoL). It is at SoL in 1984 that Senge, De Geus, O'Brien and a group of organizational leaders formed a learning organization study group at MIT, which later became SoL in 1989.*

The Timeline of Learning Organization Concept Development

The conceptual study of learning organizations has been traced back by members of SoL and is available through their website. Herein is a summary of the key concepts relevant to this study. The first relevant concept dates back to 1938 with the concept of "experiential learning" as an ongoing cycle of activity published by John Dewey. In 1947, the Macys Conferences organized by Margaret Mead, Gregory Bateson and Lawrence Kubie brings 'systems thinking' to the awareness of a cross-disciplinary group of key intellectuals. In 1946, Kurt Lewin proposes the idea of 'creative tension' between a person's vision and sense of reality. Also in the 1940's Kenneth Craik coins the term 'mental models' a discipline of reflection and inquiry skills focused around developing awareness of the attitudes and perceptions that influence thought and interaction. In the 1950's and 60's, Jay Forrester (1956) develops the concept of 'system dynamics' and publishes *Industrial Dynamics*, while Douglas McGregor (1960) publishes *The Human Side of Enterprise*, an examination of the interactions of people impacting an organization's effectiveness (SoL 2000).

In 1970, Argyris and Schon begin collaboration on 'Action Science' and study how espoused values clash with the values that underlie real actions. Their work was published in 1974 in *Theory and Practice* (Argyris & Schon 1974) and updated in *Action Science* (Argyris, Putnam & McLain-Smith 1985). In 1973, Don Michael publishes a book for policy-makers entitled

Learning to Plan and Planning to Learn (Michael 1973) that for the first time sets out the idea of organizational learning. Lastly, in 1988, de Geus working with Senge and others in the SoL study group, publishes his ideas in a Harvard Business Review article called "Planning as Learning" in which he concludes, "The greatest competitive advantage for any organization is its ability to learn," (de Geus, 1987, p 74). Later in 1989, Senge summarizes the key disciplines of Organizational Learning, Systems Thinking, Personal Mastery, Dialogue, Parallel Structuring, and Process Consultation in his book titled, *The Fifth Discipline* (Senge 1990).

Understanding the Challenges of Change

The article "Planning as Learning" (de Geus 1988) resonated throughout the business world. The members of SoL were also examining organizations that used learning as a means to drive change from within. Evidence gathered suggests that initially these 'learning initiatives' failed more often than succeeded. However, many companies documented success and were encouraged to understand more about the conditions needed to foster greater success (Scharmer 1999, Senge et al., 1999). This is evidenced by a popular quote by Jack Welch of General Electric who had concluded in this statement printed in a GE annual report:

"Our behavior is driven by a fundamental core belief: The desire, and the ability of an organization to continuously learn from any source – and to rapidly convert this learning into action – is its ultimate competitive advantage."

(Welch, 1996 in Senge et al., 1999. p 22)

Many other companies including Motorola, KPMG, Coca-Cola, Ford Motor Company, Shell Oil and Mead Industries, have since featured the 'learning organization' concept in recent annual reports (Senge et al., 1999). The growing evidence documented by SoL members at companies like Ford Motor Company, Shell Oil, U.S. Army national training center, Detroit Edison, British Petroleum, Covenant Insurance, Toyota and others suggests that the

gains from enhanced learning capacity have proven to be sustainable, cumulative, and self-reinforcing (de Geus 1997, Senge et al., 1999, Balasubramanian, 1998, Scharmer, 1999, Argyris, 1994, p.77).

There are, however, documented stories of failure, setbacks, and organizational backlash to 'learning initiatives' (Harman 1998, Jaworski, 1998, Marquardt & Reynolds 1994, Scharmer 1999, Senge1990). Some learning initiatives never seem to get off the ground despite a compelling business case. In other cases, initial success is never recognized. Innovators who expect to be rewarded and promoted lose their jobs instead; or they just move on, searching for organizational settings more open to their ideas. Even after years of success, learning oriented cultures can come under relentless attack from new bosses, new members who don't appreciate their benefits, or sudden changes in the business environment that lead to a perceived need for tighter controls (de Geus, 1997, Senge et al., 1999, Scharmer, 1999, Argyris, 1994, p. 77).

Again, business leaders like Jack Welch have provided SoL members direction to deepen their investigation. Welch in the same annual report, identifies the 'critical enablers' needed to sustain learning within the organization, such as shifts in governance structures, compensation, appraisal, recruitment, retention and policy mechanisms to ensure organizational learning becomes a reality (Senge et al., 1999 p 22-23). However, these identified 'critical enablers' are not the only limits to learning in organizations. Also, improving mechanisms and processes does not fulfill the requirements for strategic or profound change.

Senge Kleiner, Roberts, Ross, Roth, and B. Smith (key researchers and members of SoL) have identified ten distinct challenges in the context of 'learning initiatives' – change initiatives in which enhanced learning capability was an overt part of the strategy (Table 1, p 19). These challenges are

described in Senge et al., (1999) as predictable arising as natural counter pressures to generating change. Although seeming to be independent they are interconnected and interdependent. Failure to understand these limits and challenges generates frustration amongst team members, innovators, and leaders. This 'push back' by the 'system' represents the natural "homeostatic forces" (Senge et al., 1999) of traditional organizations and must be understood in the context of the larger culture, structures, processes, and norms. The SoL team has come to the view that, "no progress is sustainable unless innovators and leaders learn to understand why the system is pushing back, and how their own attitudes and perceptions (as well as other forces) contribute to the pushback," (Senge et al., 1999 p 26). When leaders and innovators see this they start developing systemic strategies for sustaining profound strategic change (Senge et al., 1999).

Organizational Learning in the Workplace

The concept of a learning organization is becoming increasingly popular since organizations want to gain a competitive advantage through innovation and effectiveness. Learning is a dynamic concept and it emphasizes the continually changing nature of organizations. It enables organizations and people to shift from one paradigm to another on an aesthetic dimension of change or, in other words, create a mind change (Dodgson 1993, Fiol & Lyles 1985, Harman 1998, Scharmer, 1999). Organizational learning contributes to organizational memory. Thus, learning systems not only influence immediate members, but also future members due to the accumulation of histories, experience, norms and stories. Equally important is the creation of an unlearning organization, which essentially means that the organization must forget some of its past (Dodgson 1993, Balasubramanian 1998).

Figure 2.1: Ten Challenges of Change

(Senge et al., 1999, p. 27-29)

The Challenges of initiating change begin as soon as a local team, business unit or senior management team conducts work in unfamiliar ways:	
1.	"We don't have time for this stuff!" The challenge of control over one's time.
2.	"We have no help!" The challenge of inadequate coaching, guidance and support for innovative groups, and of ultimately developing internal resources for building capacity.
3.	"This stuff isn't relevant!" The challenge of relevance: making a case for change, articulating an appropriate business focus, and showing why new efforts, such as developing learning capabilities, are relevant for business goals.
4.	"They're not walking the talk!" The challenge of management clarity and consistency: the mismatch between behavior and espoused values, especially for those championing or leading the change.
The challenges of sustaining momentum take place within a pilot team as it achieves early success, and between the team and the larger organizational culture:	
5.	"This stuff is ____." The challenge of fear and anxiety: concerns about exposure, vulnerability, and inadequacy, triggered by the conflict between increasing levels of candor and openness and low levels of trust among pilot group members or senior management team.
6.	"This stuff isn't working!" The challenge of negative assessment of progress: the disconnect between the organization's traditional ways of measuring success (both metrics and time horizon) and the achievements of a pilot or senior management group.
7.	"We have the right way! They don't understand us!" The challenge of isolation and arrogance, which appears when the "true believers" within the pilot group confront their "nonbeliever" counterparts outside the group; the pilot group and the rest of the organizational system consistently misinterpret each other.
The Challenges of redesigning and rethinking appear when change initiatives gain broader credibility and confront the established internal infrastructure and practices of the organization:	
8.	"Who's in charge of this stuff!" The challenge of the prevailing governance structure, and the conflicts between pilot groups seeking greater autonomy, and managers concerned about autonomy leading to chaos and internal fragmentation.
9.	"We keep reinventing the wheel!" The challenge of diffusion, the inability to transfer knowledge across organizational boundaries, making it difficult for people around the system to build upon each other's successes.
10.	"Where are we going, and what are we here for?" The challenge of organizational strategy and purpose: revitalizing and rethinking the organization's intended business focus, its contribution to its community, and its identity.

In their research on organizations as learning systems, Nevis, DiBell~~a~~, and Gould (1995) report that all the firms they observed possessed learning systems. They describe how learning has changed organizations such as Motorola, Mutual Investment Corporation and Fiat Auto Company. These firms had both formal and informal structures and processes for the acquisition, sharing and utilization of knowledge and skills. They also observed that even companies that claimed not to be good learning organizations had certain core competencies that could exist only due to having certain learning mechanisms in place. For example, Federal Express invests heavily in team learning for its quality improvement (Nevis et al., 1995). The ability to learn continuously is the reason behind the success of many Japanese firms. Strata (1989 p 68) states that although learning takes time, once the process has started, it feeds on itself and organizational members get better in their work, quicker. Landry (1992) and Brown and Duguid (1991) also view learning as a bridge between work and innovation.

The Types of Organizational Learning

There is an identified progression of learning in organizations from the individual to organizational learning (Dodgson 1993, Fiol & Lyles 1985). Most recently there is an identified shift in temporal learning from the past to the future (Scharmer 1999). Argyris and Schon (1978) described three types of organizational learning:

Single-loop learning has also been referred to as lower level learning by Fiol and Lyles (1985) and adaptive learning or coping by Senge (1990). This type of learning occurs when errors are detected and corrected. According to Dodgson (1993) this learning can be equated to activities that add to the knowledge base or firm-specific competencies or routines without altering the fundamental nature of the organization's activities.

Double-loop learning is referred to as higher-level learning by Fiol and Lyles (1985), and generative learning or learning to expand an organization's capabilities by Senge (1990). This type of learning occurs when people question and modifying existing norms, procedures, policies and objectives. This learning also involves changing the organization's knowledge base or firm-specific competencies or routines (Dodgson 1993).

Deutero-learning occurs when organizations learn how to carry out both single, and double-loop learning. Awareness of ignorance motivates learning (Nevis et al., 1995). Nevis et al., (1995) identify seven different learning styles and ten different facilitating factors that influence learning. For example, one of the facilitating factors is identifying the performance gap between targeted outcomes and actual performance. This awareness fosters recognition within the organization that learning needs to occur and that the appropriate environment and processes need to be created. This also means recognizing the fact that lengthy periods of positive feedback or good communication can block learning (Argyris 1994).

Double-loop and deutero learning are concerned with the why and how of changing the organization. Dodgson (1993) states that the type of organizational learning also depends on where in the organization learning occurs. Thus, learning can occur in different functions of the organization such as research, development, design, engineering, manufacturing, marketing, administration and sales.

Scharmer of the Center for Generative Leadership has extended this concept of double-loop learning to differentiate between cognition and precognition. He and other colleagues at SoL refer to this cognitive capacity as 'Presencing', "the process of sensing and actualizing emerging futures" (Scharmer 1999 p 1). The concept of presencing allows us to differentiate between two types and two sources of organizational learning: Type 1

learning, which is based on reflecting on the experiences of the past (feedback), and type 2 learning, which is grounded in sensing emerging futures (feedforward). Each type of learning is based on a different temporal source and requires managers to work with fundamentally different learning cycles (Scharmer 1999, Bortoft 1998, 1996, Jaworski 1998).

Type 1 learning (feedback) revolves around reflecting on experiences of the past. All Kolb-type-learning cycles are variations of this type of learning. Their basic sequence is action, concrete experience, reflective observation, abstract conceptualization and action again (Scharmer 1999).

Type 2 learning (feed forward) revolves around the coming into the presence of the future. In Type 2 situations learning is based on a fundamentally different mode of cognition, which revolves around sensing and 'presencing' emerging futures rather than on present realities (Scharmer 1999, Bortoft 1996, 1998).

Previous research on organizational learning, both practical and theoretical, focused on the challenges of building, nurturing and sustaining double-loop and type 1 learning processes. Scharmer (1999) notes that recent experiences with organizations concerned with competing in the new economy; i.e., how to learn from a reality that is not yet embodied in manifest experience require type 2 learning and face additional new challenges. These challenges, some yet to be identified, begin with the question of how to learn from experience when the experience that matters most is a subtle, incipient, not-yet-enacted experience of the future. For example, Royal Dutch Shell utilizes a scenario planning methodology to anticipate future state possibilities (Scharmer 1999).

Dealing with Change

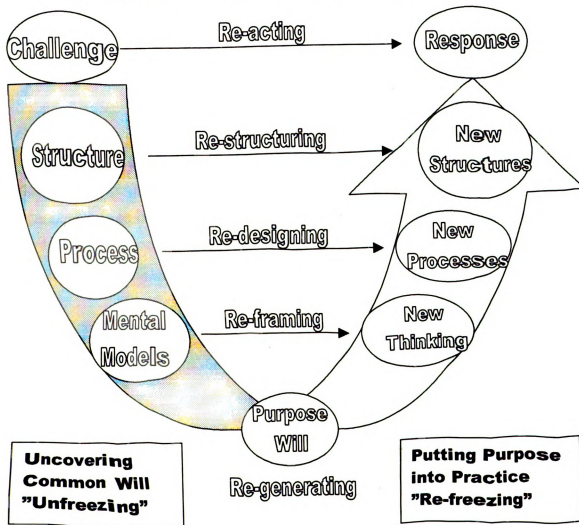
Although there has been a lot of talk about change, our thought models of change have remained largely unchanged for decades. By and large, all approaches to change can be considered a variation of the classical change model of Kurt Lewin (Lewin 1952). Lewin's insight was that in order to manage change, one must, in addition to focusing on the change do two things. First, before the change process begins, 'unfreeze' and then after the process, 'refreeze' (Lewin 1952, Schein 1989). Scharmer uses this underlying logic to describe three stages as uncovering common will (unfreezing), regenerating (redefinition), and enacting/incorporating (refreezing). Unfreezing-change-refreezing, or to use Scharmer's terminology, uncovering-redefining-enacting, represents the organizational system of incorporating a changed consciousness into practices and actions (Scharmer 1999).

Relating this model to change in organizations, Scharmer (1999) identifies five levels of organizational reality and, accordingly, of reorganizing and change. The five levels of organizational reality are action, structure, core processes, mental models, and common will. These are depicted below in Figure 2.1 (pg. 24)

As an example, given an issue in an organization, those involved would have the following choice: either react directly to the issue or to step back, reflect, and reorganize the underlying contextual levels that give rise to the problem at issue in the first place. Accordingly, we can distinguish among five different approaches to change (Scharmer 1999). The five approaches of change processes are a function of the depth of the uncovering or unfreezing process. "The deeper the process of uncovering, the more profound the change" (Scharmer 1999, p 7). The basic point of the Lewin-Schein model is

that the highest leverage point is located in the stage of unfreezing (Schein 1989). Also, the depth of unfreezing seems to determine the degree of commitment in change processes (Scharmer 1999). The implications for change are that change leaders who want to increase commitment have to move slowly in order to surface the more profound layers of reality. Scharmer refers to this tactic as "deliberate detouring" and as the Chinese proverb says, it is necessary to go slow in order to go fast (1999, p 7).

Figure 2.2: Five Responses for Dealing with Change



(Scharmer 1999, Fig.2.1)

Creating the Conditions for Strategic or Profound Change

Einstein suggests, "We cannot solve our problems with the same thinking that created them in the first place," (Scharmer 1999, p 5). Reacting, re-structuring and re-designing efforts solve a minority of change problems (Scharmer 1999). The majority of organizational problems require deeper re-framing and regeneration, which means uncovering the underlying mental contexts and corporate assumptions guiding corporate action. In these approaches, often referred to as organizational learning, the problems of action, structure and process are seen as the function of another set of underlying context variables referred to as "mental models" (Senge 1990, Argyris and Schon 1978) or culture, i.e., taken-for-granted assumptions (Schein 1989). Even deeper organizational issues involving regeneration relate to subtle contextual variables, which are referred to as purpose, shared vision (Senge 1990) or common wills (Scharmer 1999). In all of these change approaches focusing on dialogue, purpose and principles allows organizations to be more flexible in situating action, structure, processes, and mental models according to local conditions (Argyris 1999, Scharmer 1999, Senge et al., 1999).

According to Senge (1999), Scharmer (1999), and Argyris (1994, 1999), the quality of conversation is the single most critical condition for advancing the process of uncovering from reaction, re-structuring, re-processing, re-framing. Many change processes fail because they do not get through the bottleneck or requisite conversational complexity. For instance, without the capacity for dialogue, teams (senior management, design, engineering, etc.) are unable to surface their tacit, taken-for-granted assumptions as to how reality works (Scharmer 1999).

Scharmer (1999, p8-9) describes four levels of conversation beginning with "talking nice" or polite, to "talking tough" or debate, to "reflective dialogue"

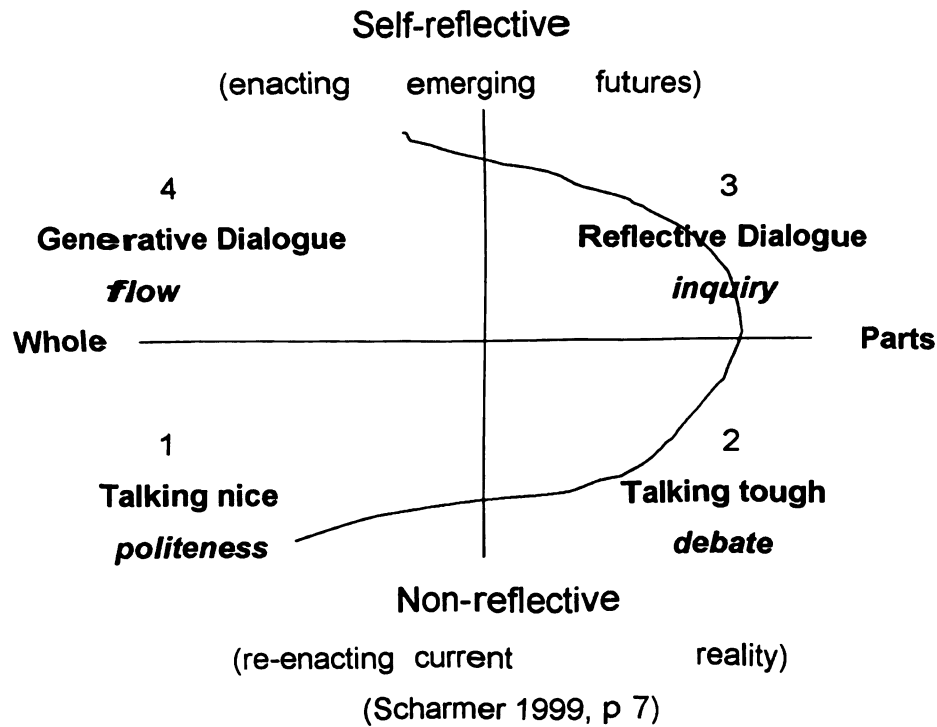
or inquiry, to “generative dialogue” or flow. The first two levels describe a process that is non-reflective, re-enacting the current reality. The second two levels describe a process that is self-reflective, enacting, emerging, future looking. This framework for conversation is supported by the findings of Argyris (1990), Schon (1996), Schein (1985, 1989) and Senge (1990).

The four fields represent four generic attractors that define the rules according to which the drama of human conversation plays out. The attractors differ in terms of complexity that they are able to capture and represent. The more that people in organizations learn to move with ease across the four fields of conversational action, the more they will succeed in unfreezing and accessing the deeper and more subtle levels of learning and change.

Figure 2.2 (following page) outlines a process archetype that was developed through action research, and community building experiences (Scharmer 1999). The model is based on four generic stages or fields of listening and languaging.

Throughout the full cycle, the conversation moves through four fields of performed speech acts (Searle 1969 in Scharmer 1999). The speech acts differ in terms of how they relate to the rules of the underlying language: 1, repeating, talking nice; 2, revealing, talking tough; 3, intuiting, reflective dialogue; and 4, generating speech acts, generative dialogue. In general, the deeper the process of unfreezing is intended to go, the higher the level of requisite conversational complexity is required. “For example, for uncovering the third level or reorganizing (mental models), it takes the conversational level of reflective dialogue (field 3). Uncovering the fourth level of re-organizational reality (common will) requires the conversational level of generative dialogue (field 4)” (Scharmer 1999, p 8).

Figure 2.3 Languageing: Four Architectures of Attention



The challenge of leading change is to help teams and organizations get “unstuck” in the first field (talking nice), and increase their capacity to move up across all four fields of conversational action (Figure 2.2 arrow), (Scharmer 1999).

Leading Change Sustaining the Momentum

Many organizations continue to pursue a leadership model that supports the prevailing management system. The myths that “significant change only occurs when driven from the top, or there is no point in going forward unless the CEO is on board” continue to persist in organizations (Senge et al., 1999, p 10). There continues to be a propensity to idealize leaders, and solve organizational problems by searching for the hero-CEO to carry out a turn-around change initiative and save uncompetitive

organizations (Senge et al., 1999, Argyris 1994). Senge suggests that, "this is a critical factor in itself, diverting our attention away from building organizations that, by their very nature, continually adapt and reinvent themselves, with leadership coming from many people in many places, not just from the top" (Senge et al., 1999, p 11).

The belief that power can be concentrated at the top of an organization is another myth. As hierarchical management structures have been flattened, CEOs have come to realize that carrying out change in large organizations cannot possibly be done by a handful of people at the top (Senge et al., 1999, Jaques & Casson 1994). Also, these leaders realize that "flavor of the month" change programs driven by management do not foster commitment because they are built around compliance (Argyris, 1994, Senge et al., 1999). Creating strategic or profound change requires leaders who foster commitment. O'Brien says, "What people pressuring for management to 'drive' culture change don't understand is: A value is only a value when it is voluntarily chosen," (O'Brien in Senge et al., 1999, p 13). Argyris cynically suggests that this belief that power is only at the top of an organization is a convenient strategy for maintaining the prevailing management system and holding those at the top responsible whether or not change happens (Senge et al., 1999).

The myth that persists in many organizations today is that the word leader is used synonymously with top manager. When people ask, "what do leaders think?" they are asking about the views of top managers. This implies that those not at the top are not leaders, although they may aspire to become a leader, but they don't become leaders until they reach the senior management level. If the word leader is synonymous with the word executive, it implies that there is no independent definition of leadership (Senge et al., 1999 p 15-16). Fortunately this myth's assumptions and belief system is challenged by many practitioners and theoreticians (Argyris 1999,

Senge et al., 1999, Scharmer 1999, McGill & Slocum 1992, Jaworski 1996, 1998). New definitions of leadership in organizations are arising. Senge suggests that, "leaders is an ecology growing from the capacity to hold creative tension, the energy generated when people articulate a vision and tell the truth (to be the best of their ability) about current reality," (Senge et al., 1999 p 16). Therefore, leaders can emerge from anywhere within the organization and play a critical role(s) in generating and sustaining creative tension. The SoL group are focusing on leadership communities to understand more about the diversity of people and positions and what leaders do to shape an organization's future (Senge et al., 1999, Jaworski 1998, Argyris 1999, Scharmer 1999).

Leaders and Change

Researchers have examined leadership skills from a variety of perspectives. Early analysis of leadership, from the 1900s to the 1950s, differentiated between leader and follower characteristics. Finding that no single trait or combination of traits fully explained leaders' abilities, researchers then began to examine the influence of the situation on leader's skills and behaviors. Subsequent leadership studies attempted to distinguish effective from non-effective leaders. These studies attempted to determine which leadership behaviors were exemplified by effective leaders. To understand what contributed to making leaders effective, researchers used the contingency model in examining the connection between personal traits, situational variables, and leader effectiveness. Leadership studies of the 1970's and 1980s once again focused on the individual characteristics of leaders that influence their effectiveness and the success of their organizations. The investigation led to the conclusion that leaders and leadership are crucial but complex components of organizations.

The leadership literature of the 1970's and 1980's, with its focus on effective leaders, revisited personal traits as determinants of leadership abilities. It primarily contributed to understanding the impact of personal characteristics and individual behaviors of effective leaders and their role in making organizations successful. The studies differentiated between leaders and managers and introduced a new leadership characteristic – vision – and explored its importance. Along with having vision, effective leaders are said to facilitate the development of a shared vision and value the human resources of their organizations. In addition to these insights on leadership, a new theory emerged – transformational leadership (Bennis & Nanus, 1985).

The Notion of Organizational Leadership

Barnes and Kriger (1986) suggest that previous theories of leadership, trait, situational, and contingency were insufficient because they “deal more with the single leader and multi-follower concept than with organizational leadership in a pluralistic sense” (p. 15). They contend that leadership is not found in one individual's traits or skills but is a characteristic of the entire organization, in which “leader roles overlapped, complemented each other, and shifted from time to time and from person to person implying a more inclusive concept of leadership” (p.16). This concept of organizational leadership has not been examined as closely as the investigations of individual leadership traits and behaviors.

An extension of organizational leadership is the concept of shared leadership. Slater and Diog (1988) refute the assumption that leadership is a possession of one individual and state that such a supposition ignores the “possibility that leadership may also be exercised by a team of individuals” (p.296). Murphy (1988) states that the hero-leader framework “ignores the invisible leadership of lower-level management, supervisory and staff throughout effective organizations” (p.655).

Leaders versus Managers

Burns (1978) describes managers as transactors and leaders as transformers. Managers concern themselves with the procurement, coordination, and distribution of human and material resources needed by an organization (Ubben & Hughes, 1987). The skills of a manager facilitate the work of an organization because they ensure that what is done is in accord with the organization's rules and regulations. The skills of a leader ensure that the work of the organization is what it needs to be. Leaders facilitate the identification of organizational goals. They initiate the development of a vision of what their organization is about. "Management controls, arranges, does things right; leadership unleashes energy, sets the vision so we do the right thing" (Bennis & Nanus, 1985, p.21).

The underlying theme of this research is that leaders of organizations engaged in strategic change should be excellent managers and leaders. As suggested by Bennis and Nanus, leaders are effective managers who shape an organization's culture by creating and articulating a vision, winning support for it, and inspiring others to attain it (p. 46).

Characteristics of Leaders of Change

In the 1990's, research focused on the complexity of leadership attempting to identify the characteristics of effective leaders. Recent studies have identified vision, collaboration, and personal disciplines associated with communicating, thinking, and valuing human relationships as predominant characteristics of effective leaders.

"All leaders have the capacity to create a compelling vision, one that takes people to a new place, and the ability to translate that vision into reality"

(Bennis, 1990, p.46). Current leadership literature frequently characterizes the leader as the vision holder, the keeper of the dream, or the person who has a vision of the organization's purpose. Max De Pree asserts, "the first responsibility of a leader is to define reality" (De Pree, 1989, p.9). Vision is defined as the force that molds meaning for the people of an organization" (Manasse 1986, p. 150).

According to Manasse, this aspect of leadership is "visionary leadership" and includes four types of vision: organization, future, personal and strategic. Organizational vision involves having a complete picture of a system's components as well as an understanding of their interrelationships. Future vision is a comprehensive picture of how an organization will look at some point in the future (p. 157). Personal vision includes the leader's personal aspirations for the organization and acts as the impetus for the leader's actions that will link organizational and future vision. "Strategic vision involves connecting the reality of the present organizational vision to the possibilities of the future vision in a unique way (personal vision) that is appropriate for the organization and its leaders" (Manasse, p. 162).

A leader's vision needs to be shared by those who will be involved in the realization of the vision. "Some studies suggest that it is the presence of this personal vision on the part of the leader, shared with members of the organization, that may differentiate true leaders from mere managers" (Manasse, p. 152). Murphy purported that "it was rare to see a clearly defined vision articulated by an executive leader (at the top of the organizational hierarchy) and then installed by followers" (1988, p.656). Whether the vision of an organization is developed collaboratively or initiated by the leader and agreed to by the followers, it becomes the common ground, the shared vision that compels all involved. "Vision comes alive only when it is shared" (Westley & Mintzberg, 1989, p21).

Leaders for change recognize that the people in the organizations are its greatest resource. "To lead change the leader must believe without question that people are the most important asset of an organization" (Joiner, 1987, p.21). This characteristic has three dimensions. The first is the leaders' valuing the contributions of other managers, supervisors and staff, while the second is the leader's ability to relate to people. The third dimension is fostering collaborative relationships. Leaders of change trust the strength of others and value their efforts and contributions in the realization of the organization's vision (Joiner 1987, Barnes and Kriger 1986).

Transformational Leadership

The concept of transformational leadership was introduced by Burns (1987), describing it as not a set of specific behaviors but rather a process by which "leaders and followers raise one another to higher levels of morality and motivation" (p.20). Other researchers have described transformational leadership as going beyond individual needs, focusing on a common purpose, addressing intrinsic rewards and higher psychological needs such as self-actualization, and developing commitment with and in the followers (Bennis & Nanus 1985, Leithwood 1992).

Leaders of change recognize shifts in the environment and guide their organization to be responsive to those changes. They are aware of the realities of their environment and thus guide the organization to rethink the vision (Joiner 1987, Barnes & Kriger 1986). DeGues (1988) described this ability as organizational learning: "understanding the changes occurring in the external environment and then adapting beliefs and behavior to be compatible with those changes" (p. 67).

Leaders of change take a decidedly creative approach by focusing the organization away from maintaining the status quo to exploring various

options of the organization's vision. Joiner's (1987) discussion of these leaders of change included the skill to "access the reality of the present and determine the gaps that exist" (p.3-4). They are effective at guiding the organizational discussion by questioning established norms, beliefs, and procedures. They focus the discussion on the "ultimate client" by being provocative confronting rather than avoiding, anticipating instead of reacting to situations and circumstances (Senge et al 1990, Joiner 1987).

Summary Comment

There is a clear progression in the research literature from static to dynamic considerations. Recent research comparing effective and non-effective leaders led to the identification of two dimensions, initiative structures or organizational focus and consideration for individuals and interpersonal relations, and revealed that effective leaders were high performing in both. Also, leading organizational change is recognized as a complex undertaking and recent studies have focused on identifying what enables leaders to change their organizations. Recent studies have identified vision, collaboration, and personal disciplines associated with communicating, thinking, and valuing human relationships as predominant characteristics of effective leaders.

Chapter Three

Design and Methodology

Purpose of the Study

This study focused on executive leaders who explicitly sought to enhance their organization's capacity to learn. The purpose of the study was to understand how executive leaders perceive the nature of building learning capacity within the change initiative, their role(s) and the ways in which growth and limiting forces shaped and addressed that initiative.

This qualitative study followed grounded methodology. As noted in Glesne and Peshkin (1992), Glaser and Strauss (1967), the grounded theory approach allows for the emergence of theory or building of existing theory by interpreting or making sense out of the social interaction described. Also, Glaser, (2000) states, "Grounded Theory is a frequently used methodology in management research, as it tends to get at what is really going on and has proven faithful on dependent variables," (Glaser 2000, p1).

Grounded theory methodology stems from the 1960's social science research work of Glaser, Lowe, Corbin and Strauss. Glaser, (2000) defines grounded theory inquiry, as "a general methodology that uses systematic generation, or inductive processing to derive theory from data, every step of the way is systematic." Grounded theory's main assumption is that the world *doesn't occur* in a vacuum, everything is integrated and that things pattern and people should trust patterns (Glaser 1968, 2000, Corbin & Strauss, 1990). Therefore, this methodology is particularly appropriate because it is *multi-dimensional* and emergent in design rather than causal and convergent (Glaser 2000).

The study addressed the following questions:

1. What are executive leader perceptions of the nature of building organizational learning capacity while engaged in change initiative(s)?
2. What are the role(s) executive leaders undertake to build learning capacity within the change initiative?
3. What are the ways in which growth and limiting forces shape and address the change initiative?

Epistemological Issue

The approach chosen for this study provided opportunity for the researcher to not only capture a rich description of the participant's experiences, perceptions, attitudes and opinions, but also to facilitate an opportunity for the participants to reflect and create a new sense of meaning and knowing from these past events. According to Bromley (1986 p3) the case study takes an approach in which intensive study of individual cases produces a detailed description and represents a "reconstruction and interpretation of a major episode in a person's life which is based on the best evidence available."

The research investigator has considerable experience as an organizational development consultant and senior director/leader of various learning initiatives. Therefore, it was important to suspend beliefs and predisposition's while interpreting the perceptions and meaning of the data (Bogdan & Taylor 1975). Further, Nielsen states that "to explain and understand human social behavior, we need to know the meaning attached to it by the participant themselves," (Nielsen 1990 p 7). This is particularly true,

given that subjects were both male and female and may, therefore, differ by gender in contextually expressing their experiences, perceptions and roles. The researcher developed rapport throughout the interview process, by gaining trust, listening intently and closely observing each subject (Glesne & Peshkin 1992). By building rapport and suspending beliefs and any predisposition, the researcher was open to new thoughts. This presented a rewarding experience of making sense, uncover meaning and creating new knowledge.

Research Design

A case study approach using semi-structured interviews provided the primary method of inquiry and data collection for this qualitative study. Each subject's experience and perceptions, attitudes and opinions comprise one case. Due to the subjective nature of the participant responses and the in-depth understanding sought by the researcher, the design consisted of three subject interventions. The interventions consisted of the following:

1. A preliminary selection interview by telephone to verify qualifications, gain consent, identify other candidates;
2. The initial semi-structured interview of subjects (executive leaders);
3. A follow-up interview for clarification, restatement and guided interview using themes and patterns to inform the subject's responses.

Based on previous research practice and training, semi-structured interviews provided the researcher with a familiar technique for capturing data. These interviews produced information about the experiences, perceptions, attitudes and opinions of the study participants. As well, this approach provided an opportunity to gain insights about how and what these leaders learned while making strategic change occur in their organization.

Each subject case interview was analyzed using a constant comparative process to determine patterns and sub-patterns within the data (Glesne & Peshkin 1992).

Following the transcription and vertical analysis of each subject case, the emergent patterns were grouped into themes, which were used to form the basis for the follow-up interview. Subsequent analysis of the follow-up case interview data refined the comparative analysis of themes, patterns and sub-patterns. This analysis was compared case-by-case to the study's research questions.

All cases were compared in a horizontal scan to identify those themes and patterns that were common throughout the cases (Glesne & Peshkin 1992). These common themes, patterns and sub-patterns were then used to answer the over all research questions. As well, this approach provided an opportunity to gain insights about how and what these leaders learned while making strategic change occur in their organization.

Contextual Setting and Participant Sample

The number of participants selected in similar studies using grounded methodology ranged from less than 10 to more than 30. The actual number was determined by the amount of subject data needed to identify patterns, themes and sub patterns (Glesne and Peshkin, 1992, p.26-27). A pool of 20 participants was identified for the study. Eight participants were needed to fulfill the data collection requirements of this study.

Study participants were recruited through a 'chain referral process' beginning with an initial participant. The initial participant was identified using a criterion (see next page) developed by the researcher and agreed to with a network of professional contacts that belong to the Association for Creative Change and Organizational Development (ACCORD). ACCORD is

international in membership. However, for the purposes of this study, the focus was on large organizations with a Canadian operational base in or around Toronto, Ontario, Canada. The male and female professional contacts were all very familiar with organizational change. Although their career experience included organizations of various sizes, structures, and managerial processes, all participants' worked in 'large' organizations. These organizations had between 2,000-39,000 employees and multiple sites and operations located in Canada, the United States and Europe.

The professional contacts network identified a roster of 20 potential participants. Based on the roster the researcher contacted potential participants for a preliminary interview to gain his/her consent for the study. For further information on the letter of consent, see appendix A for the sample. Additional potential participant candidates were contacted by the researcher and qualified until eight participants were selected. The researcher exercised care in the qualification process by thoroughly explaining the purpose and significance of the study and by making potential participants aware of their involvement and time requirements.

Participants from the subject pool were selected using the criterion and self-reporting elicited through a preliminary telephone interview. The following selection criteria served to identify individual participants:

- men and women from 'large' private or public sector organizations in North America (*they often had experience from both sectors*);
- held an executive or senior private or public sector corporate role, that is, a position within two levels of the chief executive office (*the experience may be gained through work with one or more than one organization*);
- had direct accountability for the success and/or failure of numerous (at least three) strategic change initiatives;

- an interest (bias) in developing the collective learning capacity of the organization;
 - not personally or professionally associated with the researcher at the time of this study;
 - English speaking; and,
 - Consented by signing a letter of consent outlining the study and their participation as well as preserving identity, confidentiality and voluntary participation.
- (see appendix A).

Data Collection Procedures

The data collection procedures included a preliminary interview, an in-depth interview, and a follow-up interview.

The nominated subjects participated in a preliminary interview of approximately 30 minutes to self identify, providing personal background (education, recent professional development) and a career profile to determine qualifications, interest and availability.

Each subject participated in a personal audio-taped interview of approximately one and a half hours giving their perceptions and describing the events, learning and changes that they had experienced while leading strategic change initiatives. Each subject participant was interviewed a second time to restate for clarification and facilitate interpretation of the emergent themes and patterns coming out of the data analysis of the in-depth interviews.

The in-depth semi-structured interviews were open-ended processes, in which participants were encouraged to explore issues within the loose structure of guiding questions (Tesch 1987, Glesne & Peshkin 1992). The interview questions were designed to provoke clear descriptions, reflection

and insightful thinking of the participant's experiences. The questions were supplemented and probed with secondary questions by the researcher for clarification. The questions listed below in Figure 3.1, do not correlate directly with each research question for the overall study. Rather, the questions were designed to facilitate the recollection of the experience, key events, and reflective recall of key decisions and subsequent action. The constant comparative analysis process for analyzing data ensured that the patterns and themes relevant to the overall study questions were answered (Glesne & Peshkin, 1992).

Figure 3.1: Semi Structured Interview Questions

1. Please tell me about your work at [name] company; position, work responsibilities, how you came to be in this role and what you have accomplished to date?
2. Please tell me about your current change initiative.
3. Please tell me about the learning initiative(s) that relate(s) to the change.
4. Please tell me about the challenges/problems that you face in this work?
5. Please tell me what excites you about your work, the people you work with and the organization?
6. How has this work affected you personally over [time] in this organization?
7. How has this work affected those you work with [peers] [direct and indirect reports] (state the question twice)?
8. A year from now how will these people and this organization be affected by these initiatives?
9. Do you have a model or image(s) that you refer to when you work that represents how change occurs in this organization? Can you draw it for me?
10. Do you have a metaphor that describes your work role?

This semi-structured interview approach allowed the participant to answer questions and for the researcher to explore the nature of change in the organization by building descriptions and constantly comparing data. The researcher attempted to make sense of the participant stories and interpret how they intersect (Glesne & Peshkin, 1992) by following an inductive strategy to discover and constantly compare data. This analysis will lead to the development of patterns, sub patterns and themes (Guba, 1987; Glesne and Peshkin, 1992; Glaser and Strauss, 1967). The data relating to the leader's understanding of organizational change, their role in those initiatives and the ways in which limits and constraints shape and address the process of change was sensitive to a variety of coding models (Straus & Corbin, 1990).

The flexibility of this approach gave the latitude necessary to deepen the description. As stated by Geertz (1973) in Glesne and Peshkin (1992, 19), this "thick description" is defined by (Denzin, 1988, 39) as, "the probing of intentions, motives, meanings, contexts, situations and circumstances of action." This approach also allowed the researcher to investigate significant events as they developed during the data collecting and analysis phases (Lincoln & Guba, 1986; Moustakas, 1994). The data was captured in memoranda and field notes and filed for reference during the interpretation activities.

Data Analysis

There were several steps involved in content analysis of data. Bruner (1986) describes narrative analysis as a study whose data consists of actions, events, and happenings but whose analysis produces stories or case histories. Although the subject may choose to respond to the interview questions by using stories or narrative to describe their experience, the researcher will ask probing questions to increase the depth of description and getting to the subject's perceptions. Irish (1983) recommends a method to

analyze and code data, which “involves the identification and coding of comments which appear to be relevant, directly or indirectly, to each individual issue of question being addressed in your study” (89). The coding process begins by reviewing the audiotape and transcripts of each in-depth and follow-up interview to establish preliminary categories relevant to the research questions. These preliminary categories were then used to help focus and shape the discussion for the follow-up interview.

The first phase of the data analysis is described as a ‘vertical scan’ of participants’ interviews audiotape and transcript. The process of constant coding and comparative analysis of the interview data inductively informs the researcher. This completes the categorization and synthesis of the data by searching for and comparing emerging patterns, themes and sub-patterns (Miles and Huberman 1984, Lincoln and Guba 1986, Strauss and Corbin 1990, Glesne and Peshkin 1992). Although there are a number of application software products available (e.g. Hyperqual 2 Qualitative Data Analysis software), to generate and sort lists based on coding tags, the researcher used a manual process in order to see the text of all data in full view.

The second phase of the data analysis can best be described as a ‘horizontal scan’ of all the sets of interviews, to re-examine across and between participants’ interviews and determine how the data reinforced each other, contradicted or provided a clarification to the understanding of a particular issue. Common patterns and discrepancies are identified and new categories emerge. Figure 3.2 (p.40) provides a visual of the process for analyzing the study data.

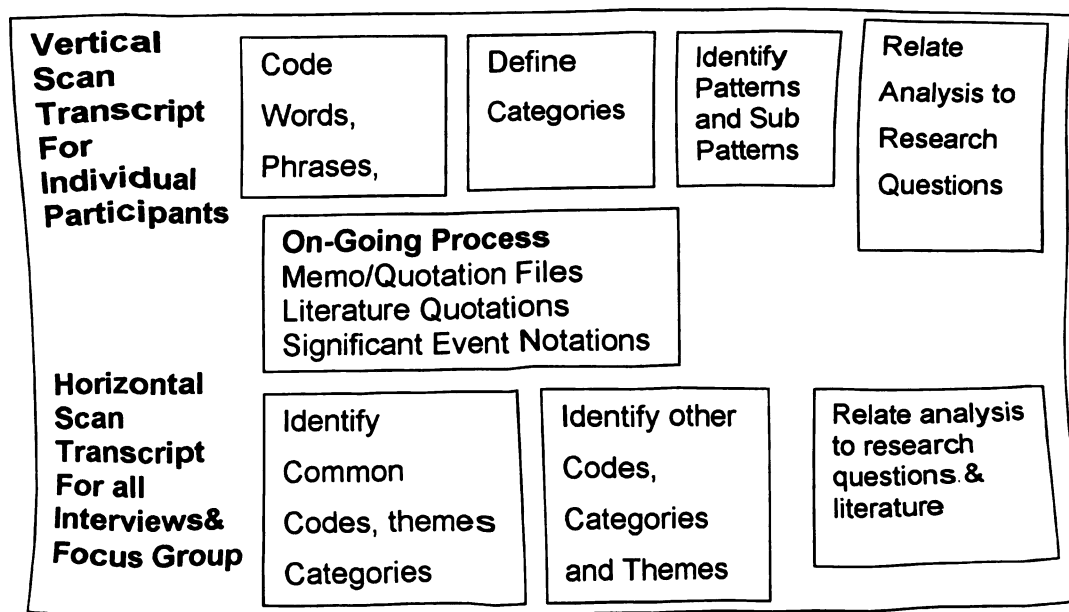
This process gave rise to more critical reflective thinking for everyone involved in the study. The comparative data analysis generated creative thinking, which was retained in the memorandum and quotation files. Glesne

and Peshkin (1992, p155) add “this process of learning about self through understanding others is a gift of qualitative research done well.”

Trustworthiness

The qualitative researcher uses an insider's approach in coming to understand and interpret, and to end with hypotheses and a grounded theory.

Figure 3.2: Process View of the Data Analysis



In this case, the investigator becomes the main research instrument as one observes (Glesne and Peshkin, (1992). The study data and evidence is composed of the narrative description, collected on audiotape during participant interviews. The researcher then describes the experience, bringing interpretation to bear on the data and then presents them in a way, which reflects the interpretation as well as the voice of the participant.

The emergent methodology for interviews provides the researcher with the opportunity to make sense of personal stories and the ways they intercept, by checking and rechecking the perceptions of the participants in

each subsequent interview. Constant comparative analysis of the data as the interviews proceeded enabled the study to evolve in subsequent interviews. Furthermore, the repeated listening to the audiotape and repeated reviewing of the transcripts over time elicited critical reflection and generated new perspectives increasing the depth of meaning and understanding achieved by the researcher. Coles (1989) reminds us in the quotation below that we must be true to our participants when using this methodology:

“The people who come to us bring their stories. They hope they tell them well enough so that we understand the truth of their lives. They hope we know how to interpret their stories correctly. We have to remember that what we hear is their story,” (p.7).

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Chapter IV

Findings

"It should be borne in mind that there is nothing more difficult to arrange, more doubtful of success, and more dangerous to carry through than initiating changes in a state's constitution. The innovator makes enemies of all those who prospered under the old order, and only lukewarm support is forthcoming from those who would prosper under the new." Niccolo Machiavelli in 1513: [The Prince, 1978, p79]

Introduction – Chapter IV Organization

The purpose of this study was to address the following three research questions:

1. What are executive leader perceptions of the nature of building organizational learning capacity while engaged in change initiative(s)?
2. What are the role(s) executive leaders undertake to build learning capacity within the change initiative?
3. What are the ways in which growth and limiting forces shape and address the change initiative?

To address these questions a qualitative study was undertaken, with the aim of eliciting the experience of executive leaders who are engaged in change initiatives. The findings are presented to lead the reader through the process of analysis, which allows the reader to follow the researcher's process of divergent and convergent thinking. This method enables the reader to understand what the researcher ultimately concluded about the study questions.

The presentation of findings begins with a description of the participant demographics and backgrounds. This information provides the reader with

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an understanding of the participants' study qualifications and situational context.

Four of the eight case interviews successfully augment and present the findings in this study. One exemplary strategic change initiative case study was selected for inclusion in the findings. The other three case narratives are included in appendices C, D, and E. The patterns and sub-patterns present in the participant cases are woven into a case story to communicate the sense of the experience holistically. The case narrative is an attempt to tell the story of the change experience from the leader's perspective.

Following the case narrative the chapter concludes by returning to the study questions and summarizes how the findings relate to each question. The summary identifies the sub patterns, patterns and themes uncovered in the analysis for each study question.

Participant Demographics

The participant 'chain referral process' used to identify participants produced a pool of twenty persons who appeared to meet the criteria developed by the researcher and agreed to by a network of professional contacts from The Association for Creative Change and Organizational Development (ACCORD). Through the preliminary interview process prospective participants from the pool were asked questions to verify their qualifications, interest in the study and willingness to participate. Eight of the qualified participants were selected for in-depth and follow-up interviews. The entire process took about ten weeks to complete. To maintain participant and organization confidentiality each was given a pseudonym.

The preliminary interview included questions designed to develop a demographic and experiential background description of each participant.

This information was solicited expressly to verify a participant's qualifications for the study. No attempt was made to analyze these data or make comparisons with Canadian or North American demographic surveys. Of the eight participants selected for in-depth interviews, six were male and two were female. The participants ranged in age from mid-thirties to early sixties. One participant was a citizen of the United States residing in Canada; all others were Canadian citizens. Four of the participants had executive work experience in both Canada and the United States. One participant had more than four years executive work experience in Europe. Four of the participants had executive work experience in large private and public sector organizations. The other four participants had career experiences exclusively in private sector business organizations.

In summary, the participants selected for this study had broad work experiences leading strategic organizational change efforts. Their experiences spanned different sectors of the economy and a period of three or more decades (1970's – 2000). These initiatives included organizational turnaround efforts, mergers and amalgamations of large businesses and government ministries, and efforts to refocus or rethink business purpose and identity. When questioned, each participant was able to recall leading change efforts that involved the development of individual and organizational learning capabilities. Lastly, they were enthusiastic and willing to schedule time for the in-depth interview and the follow-up teleconference.

Participant Backgrounds

The initial participant interviewed was Brian, a male executive of a large, private sector company with headquarters based in Toronto, Ontario, Canada and retail operations throughout Canada. Brian has over 35 years experience working in both private and public sector organizations in North America. He previously held positions as a President of a Community

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College and Executive Vice-president of Human Resources with a large private sector telecommunications organization. He is highly educated **with** two post-graduate degrees. He currently holds an executive officer position reporting to the Chief Executive Officer of the company and has direct accountability for the success and/or failure of numerous (more than three) strategic change initiatives. These are initiatives that are intended to revitalize and rethink the organization's intended business focus, its contribution to its community and its identity.

Jan is an executive of a large, private sector company with headquarters based in Toronto, Ontario, Canada and retail operations throughout Canada. She has over 15 years experience progressing up the organizational ladder in a series of positions for two large, private sector organizations in Canada. She completed a general university degree through a degree completion program sponsored by a former employer. She currently holds an executive officer position reporting to the Chief Executive Officer of the company and has direct accountability for the success and/or failure of two learning initiatives that support four strategic change initiatives.

Edward is an executive of a large, private sector company with operations based in Toronto, Ontario, Canada and additional consulting operations throughout North America, Europe and Australia. Edward has over 15 years work experience in marketing, brand management, sales and consultation. He completed his MBA education by taking a mid-life career break. He currently holds an executive management position reporting to the President of a large private sector consulting organization. He is directly accountable for the change management programs associated with the acquisition and merger of his company with a group of high-tech, new media and Internet companies.

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Bert is an executive of a large, private sector insurance company **with** headquarters based near Toronto, Ontario, Canada and insurance **operations** throughout North America and the United Kingdom. Bert has over 25 years working experience in government policy, secondary and post-secondary education administration, financial services and insurance. He holds a Ph.D. in Educational Administration and an MBA. He has executive experience as President of a Community College in Quebec, and executive officer in the financial and insurance service companies. He is directly accountable for the change management leadership of all strategic change initiatives in his company.

Ann, the fifth participant interviewed, was an executive of a large private sector corporation with divisional headquarters based in Toronto, Ontario, Canada and operations in North America, Europe, South America and Australia. She has over 19 years working experience in one computer manufacturing and services company. Sponsored by her employer, she **completed** an executive MBA program while she **continued** to work in a series of **progressive** positions with the organization. She is an executive officer of the **corporation** and divisional Chief Executive Officer. She is directly accountable for all strategic change initiative work in her division of the corporation.

Paul was an executive of a provincial government ministry with headquarters based in Toronto, Ontario, Canada and operations throughout the Province of Ontario. Paul has over 30 years work experience in government policy and executive administration, post-secondary education administration, university faculty, and philanthropy. He completed a Ph.D. in history prior to entering the workforce. He was the Deputy Minister of a **ministry** within the government of a Province. He was directly accountable for **the** merger of five ministries and the associated workforce re-structuring of **the** newly formed ministry.

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Winston was an executive of a large private sector corporation based near Toronto, Ontario, Canada with operations in Europe, the United States and Canada. He has over 30 years working experience in a series of progressive positions in financial services, telecommunications, and manufacturing/sales companies. He has a post-secondary education in business administration that he earned while studying in Europe. In his last four executive assignments he completed a series of turnaround initiatives and developed a reputation as a specialist in saving or rebuilding business organizations.

Casey, the eighth participant interviewed was the President of a newly formed university based in Canada. His mandate was to form and build a university designed exclusively to deliver mid-career postgraduate education. Previously, he was the President of a large community college. Casey has over 27 years public sector work experience in the post-secondary education field. He has a Ph.D. that he earned while working in a series of progressive positions as a teacher, professor and community college administrator.

The Interview Analysis

The first phase of the interview data analysis is described as a 'vertical scan' of the participant's interviews audiotape and transcript. Bruner (1996, p3) describes this narrative analysis as a study whose data consists of actions, events, happenings and insightful perceptions. These data are elicited by open-ended and probing questions that cause the participant to vividly recall the actions, events, happenings and reflective perceptions which, when analyzed produces a story or case history. In this study, each case explored the nature of change in an organization by building a story-like description or synopsis of the actions, events, happenings and reflective perceptions of the executive leader. The following narrative best exemplifies the participant interviews.

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Case Narrative Example: Creating the Common Will through the Elevation of Organizational Dissatisfaction

The case narrative tells the executive leader's story of the change experience. It is structured into four sections; the context, the nature of the experience, engaging resistance to create change, and engaging the forces of growth to create the future organization. The narrative concludes with a synopsis of the key findings.

The Change Context

The company

Since the mid-1990s, a leading Canadian retailer, in business for over 80 years and ringing in annual sales of \$7.1 billion, has been fighting an invasion of fierce competitors. U.S.-based giants, including Wal-Mart, Home Depot and Building Box, as well as other large Canadian companies responding to the changing retail landscape, have been opening *big box* stores across Canada with alarming speed and success. These are the large (10,000 to 200, 000 sq. ft.) single story structures in suburban locations sometimes clustered with other big box retailers, with which shopping malls and downtown department stores now compete.

This venerable and highly successful retailer is recognized as the most-shopped store in Canada. According to Brian, independent marketing research says that 91 per cent of Canadians live within 15 minutes of at least one of the company's stores. Ninety-six per cent of Canadians shop at a company store at least once a year, and 66 per cent shop at a company store at least once every four months.

Executive leader's role

As Executive Vice President (EVP), Dealer Relations, Brian is one of twelve members of the executive committee that sets strategy and direction

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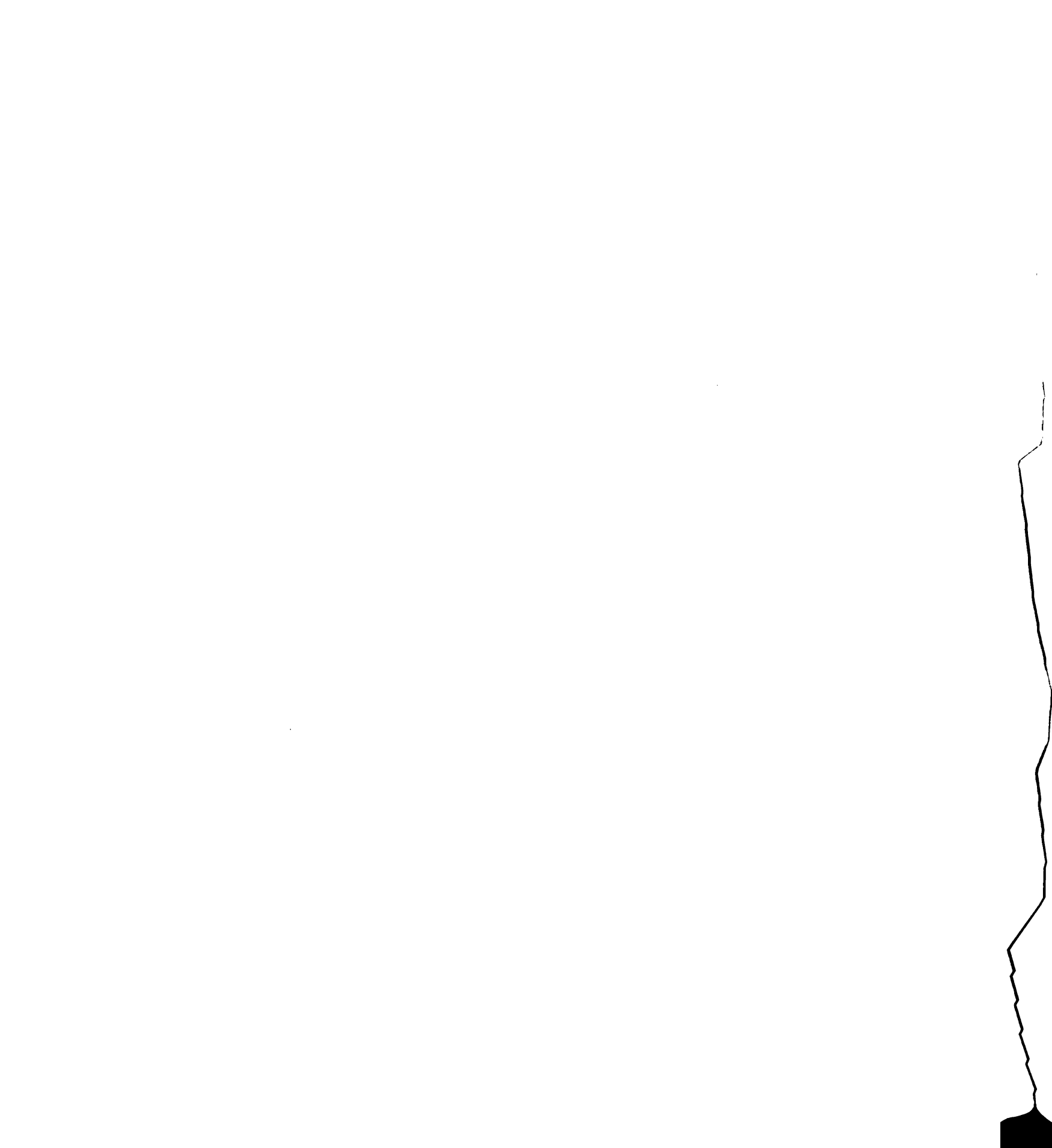
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for the entire enterprise, an unusual mix of two retail merchandizing businesses and a financial services business with two call-centers. In total, the enterprise employs approximately 38,000 employees, with 29,000 working in the stores, 7,600 in merchandising and warehouse distribution, and 1,400 in financial services.

In his role, Brian is responsible for development and maintenance of the dealer network, a diverse group of independent business people who own and operate the company's nearly 500 stores across Canada. He manages the day-to-day operations, finances and leadership of his functional area and, together with four Regional Vice Presidents and staff, works with dealers to improve overall store performance and customer satisfaction.

"Dealers are our biggest differentiator for going to market," stressed Brian. "It's what makes the company unique." As the primary liaison with the dealer community, Brian defined his role as ombudsman on behalf of individual dealers. "I don't see my role for the dealer body at large as representing the dealer interest. They would like to think that I am fighting for their rights, for their share of the pie. What I am trying to do in senior strategy and decision-making forums is bring the store and dealer point of view to the executive team. As the executives are making decisions, they will better understand the potential impact at the store level, and the preferences, concerns and impact on dealers."

At one time, people saw him as a non-budget man representing employees and dealers. Not only was he supposed to make sure that individuals were treated decently, somehow he should also be pushing for better benefits for all employees and making sure that all kinds of negative impacts were minimized. Brian states that "the reality is that this has changed over time and moved to where all executives make sure that human resource issues have been considered in the strategy development and decisions



made by the executive. Human Resources doesn't play a more important role than any other executive responsibility in the corporation."

After coming into his role from another organization, Brian gradually began to understand the dynamics of the situation by listening to people. "I spent a lot of time one-on-one with dealers, leaders in the dealer community, other executives and my own team within Dealer Relations," he explained. "As a new member of the team, I listened with new ears about what people wished to be different, and what parts of various corporate agendas concerned dealers." Meanwhile, the big box invasion intensified. The executive committee was determined to significantly improve store competitiveness through a new store design labeled class of and a uniform customer experience of the highest standard. Class of stores are to a new generation of store designs. In this instance, there were three store designs ranging from 20,000 to 50,000 square feet in size and including new displays and floor layouts.

The change initiative

Renovating stores and raising customer service levels called for a major change initiative that would modify dealer behavior in two areas. "First, we needed to ensure that dealers are striving to be the best they can be, and not just meeting minimum standards of performance," explained Brian. "Second, we needed dealers to realize the importance of providing great customer experiences through the efforts of their store employees." Dealers had to recognize that their people were an important part of the solution in providing uniform experiences for customers.

The company needed to get the best dealers to go through the change, drive for excellence, and squeeze as much potential out of their stores as possible. According to Brian, the desired end state is that over time

the best dealers will migrate via a selection process to the best stores and contribute the most to the company's bottom line. All the dealers will believe in hiring and keeping good people. "They will have well-trained store staff serving the dickens out of their customers. I would say we are about half way on a five-year journey."

The Nature of the Change Experience

The company-dealer relationship

In linking company strategies to dealers, Brian claims the biggest change needed was in the collective relationship:

"Within that relationship he had two major challenges: One is increasing dealer competitiveness through the delivery of high quality, uniform customer service throughout the store chain. The second challenge is achieving comparable store growth of 50 to 60 per cent in the same market, which represents a huge uptake in store sales resulting from the new customer experience and bigger, brighter stores with better assortment of products and services."

For most of the 78 years up to the early 1990s, the company had operated multiple stores through an informal relationship with dealers. After a particularly difficult period in the relationship, the company and its dealers entered into negotiations to try capturing past pressures and codifying them into a new contract. Past pressures, Brian said, were related to profit expectations. A contract was completed in 1992-93.

While the relationship is now governed by formal contract, rather than by good faith or precedent, Brian acknowledges that limits still exist on what can and cannot be accomplished through the dealer network:

"Over the past number (7) of years, through our class of stores, we have been trying to provide a much more uniform, high quality experience for consumers. Our strategy is to maintain a unique product mix, with three specialty stores under one roof — automotive, home-

hardware and leisure products. Dealers may source up ~~to~~ 20 per cent of their products locally to ensure local entrepreneurial leadership and business relationships that further differentiate us from the competition. Since we are the most-shopped store in Canada, convenience is a key part of our strategy. We now have better looking, larger big box stores that are very clean and bright."

The company has made great strides in creating a common and satisfying customer experience with the remodeled stores, but Brian says much work remains to be done in improving how store staff relate, treat, and provide service to customers:

"We have come to accept that while the dealer organization is a tremendous strength to the chain, it can also be a weakness. Providing the common customer experience imposes further pressures and responsibilities upon the dealer. Customers report great service from many stores where employees are well trained, motivated and friendly. They go out of their way to help, and there are lots of employees on the floor. Then, the same customers may travel down the road to another of our stores and experience a very different level of service."

Early in the process, as part of its efforts to better understand the dealer relationship, members of the executive committee consulted with powerful change agent Jack Welch, Chairman of General Electric. As Brian recalled:

"At one point in the discussion, someone asked Jack why it was so difficult to get dealers to do what you wanted them to do. He asked if we ever told them what we wanted them to do. We quickly remembered the 70,000 pages of text distributed each year by thousands of employees to all our dealers telling them what to do. Jack said, 'Okay, first thing you do is tell them the handful of things you care passionately about and really want them to do; the other stuff can take care of itself. Secondly, align your rewards and recognition programs accordingly'. So, we reviewed what we needed dealers to do, along with the rewards and recognition we give them."

Engaging Conversations to create a sense of dissatisfaction: The dealer dialogue

The actual starting point of the change initiative was a dealer survey to see what the company could learn from dealers. In an effort to get a significant sample, the company sent dealers a confidential questionnaire called *dealer dialogue*. Dealers simply faxed it back to a third party, which assured anonymity and stood out from the 70,000 pages they usually received. This was the first time the company actually solicited dealer opinion on a specific matter. The company was rewarded with a 59 per cent response, 30 per cent higher than any previous survey, and candid responses from dealers. In fact, people were surprised to see such candid responses from dealers, since previously outspoken dealers risked retribution like being passed over for future store changes.

Brian admits he came into the role with certain biases. For example, he thought the dealer bonus was an untapped tool that could be used to change behavior. He soon discovered it was not the biggest opportunity. Dealers were very concerned about a number of things, including the subjectivity of Brian's own department, particularly regarding dealer mobility, the process by which dealers move through the change.

Dealers perceived that decisions on dealer placement and mobility were neither transparent nor objective. Brian came to realize that mobility was indeed the biggest reward for a dealer. Even though the reward bonus might account for 15 per cent of the bottom line, mobility was a dealer's whole future. Mobility could double the dealer's bottom line or bankrupt the dealer who moved to the wrong store.

On the survey, 33 per cent of dealers indicated that mobility was their greatest source of dissatisfaction. Clearly, through the survey results, the company had established the dissatisfaction with the status quo and now had

an opportunity to take this huge lever and do something with it. Next, the company wanted to do two things. First, tell dealers the company heard them and, in doing so, establish its credibility. Second, the company needed to probe dealer perceptions more deeply, because the original survey was only a few pages long.

Creating a 'Burning Platform' to foster the creation of a 'Common Will'

The company seized the opportunity to continue the dealer dialogue face-to-face at the upcoming dealer convention, which nearly 85 per cent of the dealers were planning to attend. Having created a "burning platform" with the first survey, the company and the dealers agreed to hire of a third party consultant to facilitate sessions to review the survey results and further explore dealers' perceptions. Aided by electronic voting technology, dealers were be free to say whatever they wished and received immediate feedback from the other dealers at a group session.

To make a point and start building trust in the relationship, the company executives made a significant symbolic gesture at this group session. Brian related how he and all the other executives excused themselves from the meeting, so dealers could speak openly without fear of reprisal. "What powerful imagery," said Brian. Afterwards, dealers also had an opportunity to meet individually with the consultant. This time the company was rewarded with 68 one-hour dealer interviews.

Brian explained how all of this activity was part of a process to build the case for change, uncover the dealers' common understanding, and create a common will:

"We were trying to get dealers to believe we were willing to change. I had intentionally built momentum with the dealers, should the CEO or

my own staff want to keep the old methods and systems. Having unleashed the genie from the bottle, there was no turning back now. We had effectively closed the door on the status quo and the only way we were going to overcome the dealers' sense of dissatisfaction was by going forward. I had also wanted to create tension and influence my peer group and staff. I wanted the President and Chief Executive Officer and others to realize the extent of the damage to our credibility that had resulted from some of the previous decisions."

Next, the company struck a task force to involve leaders from all stakeholder groups, including dealers and senior management. The dealer association and company council had carefully chosen the five dealer members who joined the task force. Brian described how everyone worked together and learned from one another as never before:

"The task force met periodically with a good facilitator and really reacted to the staff work that was done in between the meetings. This amounted to about four full days over a four-month period. The staff work tested theses, gathered data, analyzed and built straw dog models for the next generation store models."

Brian believes the company shaped, rather than manipulated, the entire change process and dealer mindsets through the use of two basic tools: communication and education, and rewards and recognition. For example, an extensive communications and education program, implemented across the country, helped keep everyone on the task force informed. Each time the task force met, new information was available. "People felt their time was well spent and they got maximum value for their input," said Brian. "It was very important to create the feeling of moving forward." When the task force recommendations finally came out, there were few surprises and little selling was required.

Reframing the Relationship from Seniority based structure and process to Performance Driven

Brian described how, in one year, the mindset surrounding the company-dealer relationship had been successfully reframed. The relationship had transitioned from structure and process largely driven by current sales volume and dealer seniority to a performance-oriented relationship driven by the company and dealer sharing responsibility and accountability for organizational success:

"A year ago I would have been afraid to talk about performance in that manner. One of the side benefits is that we have learned how to articulate what performance is and is not. As Jack Welch stressed, you need to take the biggest reward and recognition and align it with what you want the dealer to do. We were able to leverage our biggest reward, which was mobility, align it with performance, and articulate what that looked like to the dealers."

Engaging the Resistance to Create Change

The change process

The company used a similar engagement process to help make needed changes to another significant reward — the dealer bonus. Everyone involved recognized the need to make factual, accurate information more readily available at all levels, in order for dealers and marketers to negotiate reasonable sales budgets. The sales budgets, in turn, would result in fairer distribution of bonus rewards and recognition for good store performance. Again, the process was as follows:

- create dissatisfaction;
- build the *burning platform*;
- involve all stakeholders in the change;
- define the desired end state;
- carefully select a diverse team to do the work;

- support the team with good facilitation and analysis;
- communicate and educate everyone involved to build support for the desired end state;
- implement recommendations by focusing on the most significant levers;
- quickly implement with care and quality; and
- follow up to ensure that the change is sticking.

Changing the organizational culture

Brian summarized three key elements at work to change the culture by modifying dealer behavior and the company-dealer relationship:

- **Reiterate** the importance of dealers as leaders, especially in leading their human resources, customer service, community service, and dealer network as a whole.
- **Instead** of seeing each other as competitors, focus all the dealers on growing the overall pie.
- **Now** that rewards have been aligned with what the company wants from dealers, sustain momentum through improved dealer selection, training and development. Brian anticipated this would probably take another year, with help from dealers, since "They know what makes a great dealer better than we do."

Elaborating on the process of cultural change, Brian said that,

"Along the way we believe that these are the three key elements that will contribute to changing our culture. To be effective, a dealer needs to be a stronger leader. He or she needs to be the best, the brightest, and the most capable of moving up to the change, rather than a solid, average performing shopkeepers, managing a store and making a lot of money. We think the culture will change internally when people have better tools and more influence in communicating with dealers. We plan to align the dealer bonus and other rewards with my own, and probably marketing people as well, so one partner does not have advantage over the other in this relationship. The cultural change will need to involve growing the pie

and working together to grow the pie, and both becoming **better off**. *So*, that is the major change I am leading in the dealer relations *area, which* supports our overall major need to become better at store **execution and** account for sales."

A Metaphor for Engaging the Forces of Change

Brian described the change model he used as a simple fulcrum:

"I have followed Nortel's simple change model. There are all kinds of change models, but mine is a very simple one and it's just like a fulcrum. On **one** side are the forces against change. On the other side are the forces for change. You have to get more things on the side of the forces for change, and try to eliminate some of the forces against change."

Expanding on his change model, Brian referred to a quote from *The Prince*, written by Niccolo Machiavelli in 1513:

"It **sh**ould be borne in mind that there is nothing more difficult to arrange, **more** doubtful of success, and more dangerous to carry through than **initia**ting changes in a state's constitution. The innovator **ma**kes enemies of **all** those who prospered under the old order, and only **lukewarm** support is **forth**coming from those who would prosper under the **new**." (1978, p51)

Brian agreed that the biggest force against change is **either** the real or perceived fear of some kind of loss, such as loss of status or **prestige**. In assessing the risk of upsetting the old order, dealers' biggest **fears** were lost income, lost status in the face of their customers, their **employ**ees and themselves, and lost control. Brian and other like-minded **colle**agues prefer to think of the dealers as independent business people, not **entrepreneurs**.

"Thankfully, our dealers are not really true entrepreneurs, *in the typical* sense of being risk takers. I wouldn't want them to be. *They have come* to this company to escape control. There are a whole bunch of **real** and perceived fears of **loss** that could have made a dealer want to stay **in** a situation where he controls his people in the store, and he decides **what** level of customer **service** his customers should get. He was **confident** that

if he just stayed long enough, kept his nose clean, controlled those variables, he would move up to the chain."

In the dealer context, Brian described how the forces of resistance are fueled by fear of lost control:

"The people who start to fear that the change will hurt them will be very strong enemies of that change. Often fear is a more serious impediment to change than reality. Then there are the people who will indeed benefit, although they may not yet know of it, not yet believe it, or are dubious about it. Of course, they are not particularly strong allies. So, that's the thing, to tip this balance."

Brian believes that dealing with the fear begins with the process of dialogue, in order to raise the consciousness of those involved, so they will acknowledge the need to change personal behaviours and build support and momentum for organizational change:

"The forces for change really begin with a dissatisfaction with the status quo, or the familiar euphemism people often use, the *burning platform*. There may be lots of eloquent metaphors, but essentially you begin with those fierce enemies, even with those lukewarm allies, to help them understand there's something wrong with the status quo. And again, you will always hear people saying 'if it ain't broke don't break it.' Those are just colloquialisms that they're saying, you know: 'I am afraid of change, I am not dissatisfied with the status quo, so don't fool with it.'"

In recalling other work life experiences, Brian also applied his metaphor to governments and public organizations and their struggle to make profound changes:

"So, you always have to begin by establishing the dissatisfaction with the status quo or else nobody will even listen to the other measures. As an example, I think often governments failed with changes because they faced such resistance from government employees and ended up settling in court. There was no attempt to build a case for dissatisfaction in the status quo. They either waited too long or didn't believe that the employees would ever believe them. At the very least there is value in starting to get people ready for change, by starting the unfreezing process,

which gets to people in time. Time is a key factor, such as when you lose a loved one. Time starts to help you heal and greases the wheels of change."

According to Brian, another force for change is a clear definition of the vision or ideal end state, carved out of a survivor's instinct to escape an incredibly uncomfortable situation:

"You know, on the grandiose Churchillian and Martin Luther King level, such as 'we shall overcome'. This is the survivor instinct. You are dissatisfied with the status quo until you begin building a clear definition of the end state or desired vision; all you do is make people feel incredibly uncomfortable. You really have their attention. People are paralyzed like 'deer in the headlights' until you go to the next stage and start weaving the end state. Then hope or a vision of the future begins to emerge. These must occur very close in time. As powerful and hopeful as a vision is, there's a long way to go. Churchill didn't say 'stick with me until Thursday.' I mean his passion was that he was going to win the war."

Brian described a final force for change as positive first steps towards the goal. The first few steps may be quite small, but at least people see the journey ahead, know where they are going, and are encouraged by each tiny step to add another tiny step, and another, and so on. "You are working from vision statements, which allow you to evolve the changes and just keep moving forward. The whole motion of strategy is long term."

Engaging the Forces of Growth – Co-Creating the Future Organization

"My definition of leaders evolving strategy is that they live in the three time frames of past, present and future." Brian described the temporal framework in which executive leaders need to live, to effectively create organizational change. "You really have to live and think in the future, so you have to live and think in the future together. What's it going to be like in five or 10 years from now? As a company, how would you do with a poor performing dealer?"

As an independent business person, how would your dealer do if he or she made certain changes?"

Brian described how the use of mental models, conceptual frameworks, and factual analysis raised the level of conversation and thinking among individuals and groups, and among teams and work practice communities of people. "You live in the future by modeling those behaviours that you want others to develop and by communicating a view of what the future will be. You have to make decisions in the present, but at the same time, you have to value your past." Involving these stakeholders in the process of creating change makes common sense. "I mean the Dealers have been around longer than I have been here, and they are probably going to be here long after I have gone because of the nature of executive careers and leadership mix.

Summing up his thoughts on sharing leadership responsibility and accountability, Brian concluded that this is a process of co-creation that:

"You have to evolve strategy thinking in context of how you want to be living in the future and make decisions in the context of the present while valuing the past, and that I find is a tough thing for leaders. Maybe you're good at one of those three, but very few people put it all together. It's really up to CEOs, senior executives and informal leaders throughout the organization."

Developing new learning capabilities

Brian also observed how the people involved in the change developed new learning capabilities when the work team leading the dialogue process introduced new communications and education processes. These new processes resulted in people working more effectively together in teams, learning communities and collaborative work groups. For example, through the dealer dialogue and subsequent work group activities people became

increasingly skilled in dialogue and critical reflection. The level of respect and trust within and between the groups also improved as the people involved generated the common will for change. One initiative focused on the quality of conversation, which involved sharpening the skills and process tools needed to improving group productivity.

When listening to each other, people began to genuinely listen. In making compromises, they listened to others' concerns about the status quo, why they were interested in change, or what they feared. Consider the imagery of a questionnaire going to all the dealers, and a consultant coming to the convention to listen to what every one had to say. Consider the even more powerful image of senior executives physically leaving the room. Combined, these present an image of full disclosure of both the positive and negative aspects of the business and the relationship. The image reflects a relationship in which the participants are gradually learning to trust one another and work together in identifying and handling the full reality of their situation.

New organizational learning capacity emerges

Brian described how the dynamics began to shift significantly, as people started to build on what they had learned about themselves, their colleagues and the organization. Initially, conversations consisted of polite banter and argumentative discussion. As people became more skill full listeners Brian recalled their first use of bargaining principles to negotiate by not beginning with their position or attempting to axe the other position. They tested different models to explain their position.

The dealer traits that emerged as significant to success, in addition to a drive for performance were human aspirations, such as a desire for cooperation, recognition, accomplishment and affiliation. These traits also

correlated highly with the company's stated values of honesty, integrity, respect and dignity. "We validated a number of hypotheses and, like so many things after you discover them, they are obvious," said Brian. All of this activity was in response to the *burning platform*, and the need for a better customer experience, the best dealers, and the best stores.

Throughout the process of trying to improve the company-dealer relationship, Brian and his company learned to communicate, communicate, communicate. For example, they have learned the values of knowing and understanding the different needs of stakeholders, such as the dealers, the dealer's association and opinion leaders. These are informal leaders who are not on the association or corporate board members and officers. The company, Brian insists, has learned to make sure that all of the messages communicated are consistent. Different messages or playing one group off against another leads to political implications and destroys the openness and honesty. "Integrity, trust, honesty, and openness are so critical. Again, when you look at failed change it's because of lost credibility."

Brain concludes his story by explaining how those involved developed the capability to use feedback and critical reflection to increase self-awareness:

"Within my own team, I had people who were excited about the change journey and the belief that they could really make a difference. Otherwise I would have had to clean house. I was able to use the same tools to educate, communicate, reward and align effort to achieve results. As a team, we have expanded our capability, using the same assessment methods, feedback loops and development programs to increase self-awareness through generative reflection, and enhance the creative approach to leadership. The group over time has become quite resilient and adaptive."

Synopsis of the Case Narrative

This case is about profound or strategic change in a large retail business organization. Brian, the executive leader is engaged in a change initiative that will refocus and redefine the business purpose and identity in the eyes of its customers, dealers and employees. Fundamental to the success of the change is the company-dealer relationship. The current relationship lacked trust, honesty and was framed in an old business mindset based on hierarchical structures and seniority. He wanted to reframe the mindset to a performance-oriented relationship that would drive customer competitiveness and overall business growth.

Brian followed an informal change process and employed the lessons learned from earlier change initiative work. He embraced the resistance, which was fueled by the dealers' lack of trust and fear of loss of control. He began by engaging dealers and executives in conversations to build a greater understanding of the issues and problems. Early on in the process he launched an initiative called the dealer dialogue, which was intended to surface the dissatisfaction, demonstrate company concern and raise the quality of conversation. This process fueled a 'burning platform', or heightened sense of dissatisfaction with the dealer-company relationship. He then assembled a work group from the company and the dealers to lead the dialogue and create a new "common will" or sense of hope that the future relationship and organization could be better.

This journey took about eighteen months. Along the way, Brian played many different roles. In addition to his functional role and his responsibility for the on-going development of dealers, Brian was an opportunist playing many different roles aimed at accelerating the changes. These roles included:

- Inviting everyone to get involved in the process and then engaging other leaders in a process of dialogue to create the desired vision or end state;
- Influencing other leaders by building a work team and cooperating with the dealers as stakeholders in the business;
- Teaching, coaching and mentoring other executive leaders, dealers and his immediate team by relating insight and the lessons learned through experience to all stakeholders;
- Being a role model practicing the personal or inner disciplines associated with new learning capabilities such as self reflection, listening with an open mind, the use of feedback and new thinking processes, fact-based analysis;
- Being intuitive and decisive when called upon to generate ideas, facilitate other leaders or make timely decisions.

Through the months of dealer dialogue, analysis work and the generation of a common sense of value and purpose or 'common will' new hopes and drive to sustain the process developed amongst those leading the change. Those involved developed processes for thinking, conversing and relating to one another. These skills were quickly incorporated into new capabilities by applying them to the work at hand. The personal and collective growth and development was largely learned while engaging in the process of developing the new vision or end state.

The momentum or forces for change accelerated with the growing trust and confidence in their relationship. The company and dealers now shared the responsibility and accountability for the success of the new relationship and began the process of communicating and educating all those involved in achieving the change. Again the development of new individual learning capabilities was key in the growth of a collective learning capacity.

In addition to the individual learning capabilities and collective capacity to learn, those involved in leading the change became more resilient and effective experiential learners. Brian also cited an increase in self-awareness; confidence and desire to further enhance their creative leadership approach by sharing the responsibilities for leading and co-creating.

Synopsis of Case:
Values inspired strategic change: de-mutualization of major insurance company

This case is about the significant change initiative that a prominent Canadian Mutual Insurance company voted to engage in to convert it from a company mutually owned by policyholders to one that was publicly owned by shareholders. Basing this decision on the three core values of stewardship, innovation and partnership senior VP Bert was determined to do the right thing for all stakeholders comprised of policy holders, employees, and large investors representing public interests.

Building the momentum for change was his first responsibility, which met with significant resistance. Bert began by spending his time taking every opportunity to engage stakeholders on their terms talking about what the company ought to be and about a vision or future for people in the organization. The external changes going on around the organization were perceived to be significant influencing factors in minimizing the internal resistance to change. The forces driving consolidation of the market place were widely evident driving a fear of demise or loss of an ability to control the future of the company.

Bert followed a semi-formal change process to engage people in initiatives designed to renew the company's explicit values. No particular change model

was adopted but a clearly articulated linear path, based on the future vision of the company was the lifeline for change. He attempted to demonstrate why the status quo was not satisfactory and engaged people in a process of building the steps necessary to move to the "future state".

Changing the structure of the organization and the ultimate refocusing of the business into product lines specific to customers was not an easy path. Building a new working relationship and creating the right culture, attitude, values, and behaviors across all sectors of the business were all necessary to establish credibility in the change process. Examples of what Bert felt were significant initiatives supporting the change initiative were:

- A 3.5 year exercise to build values in the organization which identified common attributes and core values
- Individual work with key business leaders to clarify business issues
- Team building and issues discussion dialogue interventions
- Diagnostic opinion surveys of employees, customers and other stakeholders to track and measure the change in consistency of values behavior throughout the company
- Documentation of visible application of the values that were used to leverage the change in culture

Bert acknowledged that he too was changed by this experience. Reflecting on what he would/could do differently in the future. He states that he would probably be:

- More empathetic to the fears of stakeholders
- A better listener and more engaging when probing for understanding and building consensus
- Better at working with people to create the change instead of pushing them to achieve the change.

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Synopsis of Case:

Leading Change in the Public Service during economic downturns

This case involves the consolidation of five provincial education and training ministries into one new ministry. Due to wide spread deficit cutting and downsizing this initiative involved an 12 billion dollar budget, a massive organization of approximately 12,000 public service employees and ultimately the elimination of about 1,500 full-time positions.

Paul the person responsible for orchestrating this complex transition has a diverse background with experience in three different ministries. In his words, "my task was to develop a brand new ministry with a service culture that appeared seamless to the public and government.

Paul began by announcing the change and inviting everyone to participate. He described the process as democratic; everyone in the ministry had access to participation in the design, vision, mission and values of the new organization. Insecurity and job vulnerability were key concerns voiced by many participants so Paul made a point of ensuring his direct reports understood their situation, leadership role and commitment to their career transition by meeting with each person individually. Paul's immediate functional team was reduced from 18 positions to 8. He started the process by selecting a change champion to lead the organization and implementation of communications and learning initiatives through which the vision, mission, structural design and explicit values. As sponsor of the change Paul focused his time on attending to the voice of workers and managers. He spent 40% of his weekly time meeting with people, listening and learning to understand the change from their perspective. He also made extraordinary effort to act as a career coach for direct reports and others in the organization.

The change champion chosen to orchestrate the process was selected for her incredible leadership talent. Paul described her as an extraordinary communicator, creative thinker and agile learner who was particularly adept working with groups throughout the entire organization.

An internal and external consultation process was used to build understanding of the collaborative process and involve as many people as possible in the vision and values realization. Throughout the change processes, Paul continued to place great importance on involving people and in communicating honestly and candidly. A communication process, set up at the beginning was maintained throughout the change initiatives. Subsequently those communications media and forums were adapted to meet the needs of the new organization maintaining development of a high involved, collaborative culture.

Paul discussed some important lessons learned in leading change initiatives. He described learning about the importance of being more than a role model for values consistency by focusing on a few core values which in his words "are not up for grabs". Paul maintained his core values as "equity and authenticity". He described how over a period of years as he evolved as a leader how he came to realize what and why these values were core. He described how he took time daily to write in a journal and then reflect critically on his own performance setting daily objectives to optimize his performance. Paul also described the process of developing the criteria used to select leaders for the new organization. Paul viewed himself as a person who leads by example both in his practice and behavior. Examples of this practice included:

- Communicating openly and frequently with people at all levels of the organization through "brown bag" lunch sessions, use of electronic media to reach out and tell about efforts; successes, failures, questions, etc.

- Communicating for the purpose of obtaining feedback through his weekly e-letter and 360 degree assessment
- Organizing and leading mentoring programs

His closing comment was one that was particularly thought provoking: "since people aren't compelled to understand the importance of change unless they think there is a crisis, sometimes you have to invent a crisis, or label current events as a crisis". The importance of creating a sense of urgency was prevalent across all change initiatives in this study.

Synopsis of Case:

Leading Change in turbulent times: Amalgamating two organizations

This case reflects the tumultuous, unexpected change that can occur when two large companies with significantly different structures, systems, processes, goals, values and culture were merged to create a new organization. Investors and senior executives who made the decision on this amalgamation expected to reap benefits from the amalgamation. These benefits included higher productivity, cost savings, was assumed without any due diligence on the human resource investors and senior executives.

Classical change management strategies like 'rightsizing' the work force of approximately 10,000 employees and consolidating production did not prove to be effective. Edward the champion of this change was expected to complete the amalgamation within six months. Edward's approach to the change initiative(s) was semi-structured. He included a cultural survey of employees to measure several dimensions of the change initiative. He then focused his energies on working on the most influential individuals with the organization. Barriers to change were identified by Edward included:

- Perceptions that the company was not spending enough time and energy on the process of change

- The leaders were not communicating with the people involved and/or affected by the change
- Leaders failed to express a vision so employees had little sense of common purpose
- Cold calculating downsizing practices were put in place without consideration of the people involved

Reflecting on these issues, Edward realized that the timeframe was a recipe for disaster. In his words "you need to create momentum by building a sense of urgency while maintaining the patience and perseverance needed to sustain the momentum over the time it takes to do the right thing(s)". He also stated that "the success of the change initiative was dependent on whether an organization had a clear picture of both ends of the change spectrum (beginning and end-state). If you are not clear about where you're heading, knowing where you are tells you what you're evolving from".

Summary Of Findings

The thematic commonalities emerged very quickly as data was compared. Although eight interviews were completed and included in the analysis of data it became apparent after four interviews that the themes and patterns were remarkably consistent. To appreciate the richness of the descriptions captured through the in-depth interviews, all eight interviews were used to develop a 'composite' case narrative that is in appendix F.

All eight participants used the interviews as an experiential learning opportunity to gain new insights about themselves and make inferences about how they might adapt the process or attempt to change the mindset of others. This behavior may be interpreted in two ways. According to Glesne and Peshkin (1992, p155), this process of learning about self through understanding others is a gift of qualitative research done well. Tichy (1998,

p19) attributes this process to a developed competency or set of behaviours and skills honed into a capability by executive leaders who practice the role of teaching. Bennis in Tichy (1998, p19) says "the basis of leadership is the capacity of the leader to change the mindset, the framework of another person."

Question 1: What are executive leader perceptions of the nature of building organizational learning capacity while engaged in change initiative(s)?

"Change work is the art of mastering the teeter totter" Brian

"Change work is like 'sailing into the wind" Bert

When asked to describe their work engagements relating to the change initiative, the executive leader would reference an analogy or metaphor, describe their work as 'hard' or 'challenging' and claim that over time, it resulted in progress and reward. As an example, Bert said:

"This work is like tacking while sailing. If you're going into the wind you have to head slightly off the wind and then switch and go in the other direction to make way. It's hard work and you have to look for opportunities to adapt as you move toward the destination."

Involving those affected sustains profound change

Strategic organizational change that involves revitalizing or rethinking the organization's intended business focus, its contribution to its community and its identity (Senge et al, 1999, p.29) requires profound or 'deep' change work on behalf of a highly committed group of involved and committed leaders who work collaboratively. These leaders use an 'involvement' approach to involve all stakeholders (people who are impacted by the change) in a variety of learning opportunities that facilitate the rethinking and

redefinition of the organization's 'common will' or sense of purpose and identity.

The process begins by uncovering or acknowledging the dissatisfaction with the current structure, processes, and systems. It requires an atmosphere of trust, honesty and reflective critical and generative thinking about what those involved hold in common (Scharmer 1999). By regenerating the values, assumptions and beliefs that people hold in common, the leaders feed the forces that generate increased levels of trust and honesty. They also encourage a new level of language that enables those involved to learn from experience and create solutions for new processes, systems and structures.

The fact that some people are not able to adapt to the change may suggest that people have a set of intrinsic values that cannot be redefined using this involvement approach and generative reflective dialogue to foster learning and changed mindset.

Organizational Change follows a Process

The patterns identified by comparing each case were partially summarized by Brian in case one, Bert in case four and Janet in case two. These patterns are very consistent with Kotter's (1996) eight-stage process for change. In their own words they gave a description of a non-formal process for change. Only Ann in cases five and Casey in case eight did not make reference to a process approach for engaging strategic change. All other executives perceived their approach to engaging change as a series of planned events and unplanned happenings referenced to a non-formal process.

However, when comparing cases five and eight with the informal process described by Brian, Bert and Janet, they also followed the events and

happenings consistent with the informal process. Each stage of the process represents a pattern of events; happenings and perceptions which in-turn had associated sub patterns. Together they form the informal or normative process. Regardless of the type of strategic change or scope of the challenges described in the eight case interviews the patterns and sub patterns were remarkably consistent.

Success and failure can build learning capacity at the individual and organizational level

Executive leaders willingly shared the lessons learned from mistakes, failures and successes. They provided many profound insights and perceptive thoughts about leading change initiatives formed as a result of critically and generatively reflecting upon their own overall performance. Several executives regard their role as one of opportunist, helping the business or line people understand the conceptual gap and create strategies and develop the organizational capabilities that will close the gap.

On the organizational level, they consciously planned experiential learning events into their initiatives to help people attain new knowledge, develop new skills, and apply the skills and knowledge within the context of how the skills and knowledge will be used to further the change in the organization. This then makes it possible for those involved to generate new insights from their own experience. For example, information that people needed in order to be successful in their work was distributed in many forms, such as organized dialogues, Intranet-based meetings and key action messages. Various forms of feedback on individual performance from coaches, mentors, teachers, and subject matter experts were incorporated into action-based learning on-the-job, 'values workshops', and traditional skills training sessions. This approach allows learners to learn in a way that is natural to them, wherever they maybe. These forms of experiential 'action based' learning initiatives also provide learners with the ability to learn how to learn.

Further, on an individual level, executive leaders plan time in their daily work life to ask for themselves what worked well, what they would do differently next time, and how they might handle similar situations they may encounter. These insights grew out of their own experience and led to a new reflective practice where leaders set personal expectations for improving performance. Ann in case five even described a strategic change initiative as a "transformational learning opportunity for themselves and people throughout the organization." Bert supports this notion of transformative learning experience in case four when he suggests that leading change work describes his life's purpose and meaning:

"In a sense it is difficult to speak of the change experience aside from the work that I do. It describes my life. What drives me probably most importantly above all is the building of organizations that are not only high performing but are fulfilling to the human beings that are working in those organizations."

Executive leaders model the habits and capabilities needed to sustain lifelong learning

The executive leaders in this study exhibited an extraordinary capacity to deal with an increasingly complex, competitive and fast-moving environment. They demonstrated a drive to do well setting high standards of values consistent behaviour and self-confident in competitive situations. They consciously value and hone specific mental habits that foster learning. These habits include humble self-reflection on successes and failures, openness to new ideas, careful listening, and embracing resistance by soliciting ideas and opinions of others.

The executive leaders in this study demonstrated a number of emergent capabilities that foster learning from experience. These capabilities included:

- A strong sense of external focus and awareness of the environment developed by networking outside the organization, frequently scanning the environment and benchmarking comparing their organizations against the performance of others.
- Effective use of a variety of communication media and approaches that stem from well developed habits such as careful listening, openness to receive information, soliciting feedback, and using generative thinking processes to integrate and use new information.
- Ability to focus their attention and eliminate unnecessary interdependencies to make decisions based on intuition and sound judgement.

Question 2: What are the role(s) executive leaders undertake to build learning capacity within the change initiative?

In addition to stating their formal title and functional role, each participant was asked to relate their experience to whatever role they played while engaging the change initiative. For example, Ann suggested that her role demand a deep sense of purpose and commitment and a well-developed sense of intuition and decisive bias for action:

"While I am fairly action-oriented, I prefer to function on the basis of thorough analysis, frameworks, and teams that deliver results. In a sense, it's difficult to speak of the change experience separately from the work that I do, since it really describes my life. What drives me most is the idea of building an organization that is both high performing and fulfilling for the human beings who work here."

As the change initiative work proceeded, each participant would provide insight by describing other roles that they played when leveraging an opportunity to accelerate the pace of change. Although the nature of the change situation varied there were a few roles common to some or all of these executive leaders. There were three primary roles identified in the findings:

- Legitimizing or sponsoring the strategic organizational change;

- *Being* the change leader who guides and facilitates the organizational change or transformation; and,
- *Being* the change or process champion or change team leader responsible for specific initiatives and process reengineering

The executive leaders in this study did not differentiate these three roles by function or status level in their respective organization. However, in a few cases they did recruit and select a change or process champion to lead the team responsible for managing the change initiatives that align work processes. Predominantly, each executive adopted different roles, as the situation demanded. Although there was no clear evidence, this 'opportunistic' leadership style may have precipitated some role conflict among peers, direct reports or other members of the organization.

The Three Leadership Roles

The sponsor role

This sponsor role was originally identified by Connor (1997) and defined as the leader who legitimizes the change. In this study, these executive leaders exhibited many of the attributes associated with the sponsor role. These attributes include prudent use of their authority and stature to endorse the change effort. More significantly, they demonstrated a deep passion and commitment to the process of building a more successful organization where everyone carried their full share of the responsibility. Winston, Casey, Janet, and Ann each demonstrated the capability of providing overall direction to acquiring and aligning the necessary resources, and instilling motivation. Janet describes this role as follows: "My role is to smash the organizational barriers of resistance and make it possible for others to lead. I need to fly air cover and be 100% committed to the success of the change."

The strategic capabilities role

Five executive leaders in this study described their functional role as business leader that guides the organization through the change journey. Bert, Brian, Edward, Janet and Paul each had a different formal position title but clearly articulated similar role responsibilities. Bert described his role as, “living in the gap between the reality of today and the vision of the future organization. Working with business line leaders and other leaders in a process of co-creation.” To accomplish this role these executives summoned their experience and other sub roles to teach, coach, mentor, and facilitate others in the process of acquiring new learning capabilities to lead the change process.

These are the additional responsibilities associated with this role:

- Oversee, manage, and coordinate all initiatives associated with the change;
- Excellent internal and external focus, and a thorough understanding of the strategic direction or vision that the organization's leaders want to pursue;
- Serve as a coach, mentor about change management;
- Teach other leaders, groups and teams about the process of change and the various associated leadership disciplines, learning capabilities, and technical tools;
- Establish the business change practices and procedures;
- Evaluate the effectiveness of individual leaders and assess their potential and readiness for handling increased responsibility
- Attract, recruit and select talented people to lead and participate in the change initiatives; and,
- Assess the readiness of the organization including the capabilities of the human resource and design and implement new practices to help adapt the organization toward the desired End State.

In this study, there were three executive leaders with position titles that describe this role. The titles were Executive Vice President of Strategic Capabilities, Executive Vice President Organizational Development, and Executive Vice President Global Development. Bennis and Mische describe a similar role as 'transformational leader' (1995, p95). Bennis and Mische differ in that they see the role as functional and unique to a specific leader. This is evidence that the role may be emergent and will eventually become common place in large organizations.

Change or process champion role

The person with the direct responsibility and accountability for specific systems and process change initiatives leads a cross functional work group or project team who design, implement and measure the various initiatives. He/she exhibits the following characteristics; high energy, drive to perform and a passion for results, works collaboratively in-groups or teams, organization-wide perspective, and in-depth knowledge of the organizations business practices, systems and processes. He or she works in-conjunction with the change sponsor and strategic capabilities leader.

The Educative Roles: Teacher-coach-mentor

The executive leaders in this study each employed personal development or learning plans. They exhibited well-honed learning capabilities such as the ability to synthesize knowledge through insightful reflection developing intuition, which enhances self-awareness and confidence. They used a variety of learning strategies, tactics and methods to transfer learning capabilities to others throughout the organization. Examples of the strategies and tactics employed include the use of dialogue, and informal and formal educational programs designed to share what an

executive leader knows about what it takes to succeed in his or her own business as well as understanding business generally. Tichy (1999) refers to these learning sessions as 'teachable moments'. Today, executives also employ formal and informal coaching and mentoring programs to diffuse knowledge, and insight across the organization. When these tactics are employed in conjunction with process and systems change initiatives leaders quickly integrate the knowledge and insight into new learning and work process leadership capabilities.

It's worthwhile noting that these executive leaders worked as much as possible with little concern for boundaries such as position levels, and functional turf. Although they were very aware of their authority, reputation and credibility they seldom drew upon this source of power to command or influence others. Rather they listened openly and attentively to everyone in a dialogue. They sought out expert knowledge wherever it may be. This was most evident in the extensive internal and external networks that they participated in on a regular basis. They were highly sought by external boards of directors, professional associations for their experience and knowledge relating to leading change and developing strategic capabilities.

Question 3: What are the ways in which growth and limiting forces shape and address the change initiative?

Leaders' capabilities define the limit of organizational ability to confront the internal and external forces

All eight cases deal with a combination of external and internal driving forces for change. For example, in case seven, Winston confronts an organization nearing bankruptcy and a business owner unwilling to challenge his own assumptions or be transparent with the management team about his dissatisfaction with their performance. He reflects on the need for the

executive to understand the nature of organizational change. He describes how limits in the capabilities of the leadership team prevent the team from confronting the declining business numbers or challenging each other's analysis of the situation.

Further, he describes how perceived limits and constraints caused by external competitors and internal 'silo management' create a sense of hopelessness and fear. He also reflects on the inability to communicate effectively. Perhaps because of the fear of personal loss or lack of trust and respect, dialogue is limited to polite banter or argumentative rhetoric. Consequently, the people involved either lack the know-how or will to question basic assumptions about the business with each other, which affected their decisions, and the actions, events and happenings of the organization.

Question beliefs, assumptions, and values to surface the sense of dissatisfaction with 'status quo'

The Cases in this study underlined the importance of establishing an awareness of the 'burning platform' and fostering a sense of urgency by engaging and challenging people who have a vested interest in sustaining the 'status quo' around common beliefs, assumptions, processes and structure. Both Brian in case one and Paul in case six are compelled to take action and create a sense of urgency and awareness of the dissatisfaction. Brian refers to this as the 'burning platform'. In Brian's case, he uses a variety of facilitated dialogues, feedback and factual analysis to help the dealers see that the status quo is not an option worth clinging to. He uses the dealers' expressed dissatisfaction to gain the attention of his peers and team members and makes it virtually impossible for anyone involved to consider resisting the change.

Involve all stakeholders: overcome fear and regenerate common will or sense of purpose to promote creativity

Successful change requires that leaders involve all stakeholders, by creating opportunities for involvement or collaboration to rethink or redefine the organization's identity, by re-establishing common beliefs assumptions (common will and values) processes, systems and structures. Paul in case seven believes that the coalition leaders need to give people involved time too personally rethink and join the change initiatives. Paul invites people to come forth and participate in a process of learning about change as a process, and to develop new skills and capabilities useful in dealing with change and defining their identity and role in the new organization. Casey in case eight is challenged with building a new university by rethinking and redefining the traditional assumptions about mid-career education and the purpose of the university. He recruits a team of leaders and scholars who share a common set of beliefs and assumptions about post-secondary education and then challenges them with the responsibility for creating the structure, processes and systems that will lead to an entirely new form of mid-career education.

Co-creating the vision

Critical generative forces in the process of change include defining the desired End State or vision and strategies that focus those involved on establishing common values. By sharing the vision in the language of the stakeholder and embracing resistance those affected gain hope and move toward the change. Brian in case one, Bert in case four, Ann in case five and Winston in case seven all approach the change initiative by creating processes for involving large groups of people affected by the change, and giving them the opportunity to understand the vision and define the end or desired state.

They begin the involvement process by having people rethink the current state and question all assumptions about it. They begin the definition of the desired or End State by establishing a set of common values. As this process happens they embrace resistance by engaging people in various forms of communication and dialogue. They personally attend to these people and attempt to understand the thinking that drives the resistance to change.

This work is challenging and not without setbacks. In each case, the executive leader indicated that 'time is of the essence'. In all of these cases the processes take months or years to execute. Executive leaders are constantly looking for opportunities to accelerate the process and prevent the initiative from stalling when members of the leadership community involved leave the organization or change role responsibilities.

Developing Individual learning capabilities that foster generative learning and creative leadership behaviors

Executive leaders need to seek feedback opportunities to increase their sense of self-awareness and focus their attention on key disciplines and habits. They may utilize action based learning opportunities in their work life to develop and master communication and thinking processes that engender critical and generative self-reflection (Scharmer, 1997). In each case the executive leader used self-reflection to personally examine his/her own thinking processes and behaviors that drive effective leadership performance. Paul used 360-degree feedback and an e-letter to seek input about his performance as a leader. Ann compares herself to her manager and openly discusses her mistakes, her admiration for the wisdom, intuition and ability to make bold decisions as a leader of change. In all cases the executive spoke about risks taken and the use of self reflection, personal logs as a means of

consolidating their thinking and learning from their mistakes and successes. Brian in case one, Janet in case two, Bert in case four, Ann in case five, Paul in case six and Winston in case seven all described how they created opportunities to teach, coach and mentor others in their development of personal fundamental habits. They also took pride in describing the formal educational programs that they initiated or supported. Each leader considered coaching, mentoring and teaching to be essential roles. In addition these leaders did not hesitate to use external facilitators or scholars to develop new skills and approaches for rethinking, communicating and strengthening respect and trust amongst the leaders of the organization.

Align those involved to build organizational momentum and to adapt processes, structures and relationships

In seeking alignment, carefully select a diverse group of people or team to do the work, ensure that team members share the vision and common will, take action to engage stakeholders while respecting resistance, and model new processes when communicating and educating others. Each executive leader described a variety of approaches, tactics and methods to engage stakeholders. In their words, the best way to engage people resisting the change was to begin by listening intently, allowing people to use their own language and showing respect for their points of view. While tolerant, they also acknowledged that some resistance would never be overcome with the current levels of dialogue and single loop learning systems. Rather, they developed generative learning capabilities and modeled these by initiating learning activities that regenerate assumptions, values, trust and respect. These initiatives enable individual development of generative learning capabilities and create the capacity to raise the quality of conversation throughout the organization. Executive leaders consistently stated that anyone in a leadership position whose values were inconsistent or whose behavior was resistant must be removed from their position in order to

demonstrate that the status quo is unacceptable.

Allow for the time needed to accept and embrace change by openly acknowledging mistakes and creating opportunities for people to reflect on the change experience. In this way they may generate new understanding of its affect on self, others and the organization's growing capacity to cope with change.

Although in all eight cases there were enormous external pressures driving the need to change, every executive leader reflected upon their own experiences and the nature of change in organizations and acknowledged that time is a force that cannot be ignored. In various ways, in each case, the executive leader used time to consolidate gains or successes and allow people involved to reflect, accommodate the new reality and develop new skills and capabilities to deal with the change. This time was also used to share information and generate new approaches for negotiations.

Prevent stalling by using fact based analysis and aligning people with the organization's work

Build support for those involved or leading change work by requiring the use of fact based analysis. Encourage and support their actions by implementing recommendations and focusing on the most significant levers to create change. Ann in case five and Paul in case six lead large diverse organizations with thousands of people engaged in the process of change. Executive leaders rely on their change leaders and people involved in the change work to provide factual analysis. They engage their people frequently in informal conversations to receive briefings reflect on alternatives, dialogue and make decisions. In Ann's words, "I spend a great deal of my time engaged in conversations to help people understand the vision, align their work with the vision and help them make the connection between their work, rewards and organizational success."

Celebrate and anchor gains and wins

Recognize and celebrate short-term successes or 'wins' and consolidate gains by setting standards for care and quality of implementation. Follow up to ensure that the changes 'stick'. Brian in case one, Paul in case seven and Bert in case four each developed programming to recognize and celebrate short-term successes or 'wins'. Their aim was to consolidate these gains, affirm standards for care and the quality of implementation.

Anchor the new sense of common will (assumptions, beliefs, values) and acquired capabilities by sharing new knowledge through communication and education with everyone involved, to build support for the change process and the 'end state' or vision. Take action on those who ultimately cannot or will not embrace the change. Anchoring strategies varied in each case. In cases one, two, four, and five, the values were published, and training for living and understanding the vision and values was entrenched in the company orientation program. In cases one, two, five and seven formal education programs on leadership were created to build new capabilities, such as external awareness, generative thinking, open communication, collaboration, and action learning tactics that were needed to sustain momentum and enhance the organization's learning capacity.

Conclusion

This study has gathered data from eight executive leaders who have engaged in many strategic change initiatives aimed at creating profound and sustainable organizational change. The findings are rich descriptions of their experiences, and insightful perceptions about the nature of leading change initiatives. In each case, the executive leader described the approaches

taken to deal with the forces of resistance and build momentum for the change.

Several executive leaders acknowledged that they were intimately invested in the status quo and that they needed to be open, listen intently and take time to critically reflect, rethink and redefine their own fundamental habits and behaviours. They described how important it was to have a personal passion and complete commitment to the people involved in the change, because it often involves deep personal change for people at every level of involvement. Lastly, they described their many roles and tactical approaches taken to foster collaboration, share knowledge, develop new individual and organizational capabilities, in effect, rethink and redefine the fundamental assumptions and values. They realigned and/or reinvented the work processes, and structures in a series of adaptations over a lengthy period of time to profoundly change the organization.

Chapter five will explore these findings in relation to the literature and develop recommendations for leading the development of learning capabilities and creating an organizational learning capacity to sustain the momentum of strategic organizational change.

Chapter Five

Conclusions – Recommendations

Conclusions

The executive leaders in this study share a *personal passion and commitment to create organizations that have a capacity to provide people with productive, meaningful life experiences*. They do this by sharing the leadership responsibilities and involving people in strategic change initiatives that redefine the organization's business purpose, its contribution to its community, and its identity. They build learning capacity at the individual level by modeling the personal fundamental habits and honing performance capabilities that foster a creative leadership approach. They build support for change by acting opportunistically in collaborative groups to help others acquire new generative learning capabilities and over time create an organizational capacity to learn by shifting everyone's mindset from a resistive to a creative leadership approach.

Approaches to Understanding the Challenges of Change

The executive leaders in this study shared a common approach to *engaging change*. This approach is the result of many years of experience and lessons learned. The common assumption upon which they based their approach relates directly to the premise put forward by Argyris (1994), De Geus (1998), Kotter (1997), Scharmer (1999), and Senge (1999): the source of failure to change lies in our most basic ways of thinking about change. Further, these executive leaders realize that strategic organizational change efforts will fail if those involved are not given time and personal development support to rethink and redefine themselves within the new or changed organization. These findings are supported by the theories put forth by

Senge, Kleiner, Roberts, Roth and Smith (1999), and Scharmer (1999). According to Brian, Bert and Paul the change initiative will lose momentum and fail if those leading the initiative do not take personal action, communicate (i.e. say what behaviour is expected) model, coach and teach the desired behaviors because others initially will only show lukewarm support for the change. Also, Janet, Ann and Winston gave excellent examples of how to involve and build support, by giving people their 'full measure of work' and responsibility to act on the vision and then support them to realize their change. Brian and Paul also gave examples of the importance and value of being open to understand and incorporate new ideas from those committed to making the change happen.

The resistance behaviors described by various executive leaders were consistent with Senge's (1999, p27-29) ten challenges of change. For example, in case one, Brian, and in case six, Paul, describe the challenges that had to be overcome by the dealers, corporate executives and assistant deputy ministers:

- Fears that lead to putting status security ahead of the vision or desired end state;
- Avoiding conflict by not bringing up the real issues that must be addressed if the organization is to move on;
- Giving up control without ever examining their deep needs to hold onto it;
- Waiting to take action without first knowing all the steps or challenging the relevance ...nothing happens;
- Waiting for others to 'walk the talk' – the challenge of management clarity and consistency; and,
- Waiting for mixed messages to go away and for a guarantee of risk-free success before personally investing in the change.

These participant examples closely follow the four stages and ten challenges of change described by Senge (1999) (See Table 1 p19).

Considering the consistency of these behaviors in virtually every case suggests a naturally occurring pattern of behavior. This can be described as a natural negative reaction to change. The participants in this study were so familiar with this natural reaction that they anticipated it and developed a creative leadership approach to cope with and eventually change this behavior pattern on a personal level and then throughout the organization. These new behaviours accelerate the change work and create an organizational resilience and capacity to sustain change.

Personal Commitment and a Passion to Improve Performance

This study found that each executive took complete responsibility for his or her own leadership. They were wary of the behaviors that block or challenge change and assumed that the success of the business and their own success was in their own hands. They need to wait for no one to begin creating the future organization. They realized that to win trust and commitment for the change they needed to enhance their own creativity capacities. They accomplished this by constantly honing specific personal disciplines and setting a very high standard for values consistency in their creative approach to leading. These findings are consistent with the theory of Bennis (1989), Block (1987), Fritz (1989) and Senge (et al 1999) that this leadership stance requires deep inner commitment and belief in the value of the work for a greater good.

Bert, Paul and Ann respectively described this best when they commented about their approach to leading change:

- "In my role, I am the bridge between what we intend to do in the marketplace and our ability to realize those things internally. I am responsible for ensuring that we have the ability as a company to realize the business strategies that we set out. I constantly look for opportunities to share knowledge and learn from our leaders."

- “I think my change work has been really around changing the way in which the organization sees itself in the marketplace. I work in that gap with other executives, my team and people involved in creating the vision, understanding the change and what human capabilities will be needed to realize it. My team helps the line executives develop the human capital needed to realize the change.”
- I use 360 feedback and keep a journal. Most of the ideas for change that we get come from leaders involved in the change. I am influenced by their creative ideas. I then start each day with a period of reflection based on the notes in my diary and set my sights on improving my performance.”

Each executive leader created feedback mechanisms such as engaging in various forms of dialogue with those involved. Examples of these included 360-degree feedback, surveys, and direct conversations to gain insight for critical reflection. Several executives used journals or logs and daily routines to rethink their own performance and quickly integrate new attributes and skills. They took pride in being values consistent in their actions, decision making and in modeling new behaviors.

Leading Change – Sharing Responsibility for Creating Sustainable Growth through Involvement

Creating the conditions for strategic or profound change involves overcoming the naturally occurring individual and organizational resistive forces. As Bert said, “I see things as related and interdependent.” Failure to see the organization this way limits the ability to generate change. The need to involve as many stakeholders as possible in the process of rethinking and redefining the organization’s purpose, identity and community was well understood by the executive leaders in this study. According to Scharmer (1999, p5), the majority of organizational problems require deeper re-framing

and regeneration, which means uncovering the underlying mental contexts and corporate assumptions guiding corporate action. Scharmer's notion of introducing change practices into the organization is evident in the findings. Brain's dealer dialogue and subsequent work group were adopted by the dealers and the corporation as a new practice within the structure of their relationship. Consolidating the change by realigning the dealer bonus represents the putting into practices or 'refreezing' the changed organization (See Figure 2.1 p20). The works of Senge (1990), Argyris and Schon (1996), and Schein (1992) also support this finding.

Brian, Ann and Paul defined the risks for an involvement approach. They used different metaphors to describe the challenge, such as:

- "If you're going into the wind you have to head slightly off the wind and then switch and go in the other direction." Paul, case six.
- "This work is like a teeter totter. Everyday you work to ensure that those forces driving the initiative forward outweigh those that don't. You do this by engaging people in their work to ensure that everyone is supporting those forces that will drive the change forward." Brian, case one.
- "I think it's very much like it's one step forward, two steps back, a very long time before you get to two steps forward and one step back. You know when you're being successful when someone that you've been trying to initiate into the change that was a force for the two steps back is now out cheerleading for the two steps forward. He is explaining to you why your strategy is correct." Ann, case five.

It is the risk that the naturally occurring forces of reaction will prevent the forces of creation from sustaining the momentum of change over time to create the vision or desired 'end state'. In each case the executive leader carefully recruited and selected a group to lead or guide the change process. They also identified early supporters and took action to ensure that their behavior was values consistent. They had access to the support required to

individually develop the skills and attributes needed to take a full share of the work responsibilities and participate in the rethinking, redefining and creative process already underway. Where this wasn't the case the executive took action to remove an individual(s) from the group or reorganize those involved.

Developing Learning Capabilities

The learning capabilities identified in the study align closely with the works of Dixon (1994), Argyris and Schon (1996), Senge (1999) and Schein (1992). These new capabilities are principally double loop or generative methods of learning. People in organizations, even the executive leaders can no longer rely on single-loop problem solving, instead they must learn a new set of cognitive reasoning rules to design and implement their actions. The leaders in this study were able to create organizational learning opportunities for those involved, to dialogue and rethink their behavior, which lead to the breakdown of the natural resistive forces. These capabilities included:

- Initiating and sustaining ongoing dialogue and using language that supports moving from reaction to discussion and negotiation, and to critical and generative reflection (See Figure 2.2 p23);
- Rethinking and defining common values and interpreting them in the new organizational context;
- Using mental models to re-frame one's own meaning structures and conceptualize the new organization;
- Viewing the organization systemically;
- Aligning new processes, systems and structures; and
- Learning how to learn.

The executives viewed it as their responsibility, to develop the 'human capital' capabilities and to create an organizational creative capacity. They understood that to achieve the desired performance organization, the people

participating must have the capacity to work collaboratively, and be creative, innovative and flexible. If their individuals and teams have not mastered their creative processes, they could not achieve a collective or organizational capacity to create the future organization.

They also understood that the naturally occurring reactions to change were often driven by fear of loss or failure. To overcome this they increased the level of engagement by 'over' communicating while being very clear about their expectations. They also listened to understand the driving force behind those fears. Brian's case exemplified the fear of lost control, dealer mobility, and not knowing what was expected of them to move through the change. Aligning the dealer mobility program with performance measures, and supporting this change with dealer education, to gain the trust of the dealers, demonstrated that they had listened and responded appropriately. By communicating more clearly the intent and expectations, dealers' anxiety and fears were reduced. By involving all stakeholders in the process, they were able to grow the level of trust in their relationship and create the future desired by everyone. This success was celebrated and the sustainable process was repeated with dealer bonuses.

The executives in this study have demonstrated an involvement approach to leading change. Through their acquired experiences they have evolved, perhaps unknowingly, an approach that follows a process very similar to that espoused by Kotter (1997, p8). Their involvement approach is derived from the executive leader's own passion and commitment to performance. They create change by honing personal disciplines that enhance their own capability to embrace change and learn from their experiences. They hone their own capabilities and capacity to create personal and organizational change.

They lead change by involving and engaging others early in the process. Although they are careful in the process of identifying whom to involve, they recommend embracing the resistance to learn and understand, and find common ground at the level of assumptions, beliefs and values. Once common ground and the bases for building a trusted relationship is established, these leaders focus on creating a new vision or desired end state. Rather than give in to the reactive stance taken by many of those who naturally resist the change, the leader carefully removes those who are unwilling or unlikely to take a creative stance. The methods, process and timing of these decisions and actions varied widely depending on other forces and pressures influencing the change, such as risk of business failure. The executive leader uses a variety of developmental methods to coach, teach and mentor in an attempt to transfer the personal disciplines and learning capability to his/her people involved in the change. This working group varied depending on the tactics taken by the executive leader. Examples of the working group included working coalitions and reporting peer, and project teams. Along with the executive leader these people lead the involvement and engagement of others in the change processes. They were given full responsibility to communicate, educate and make process and structural changes, to continuously and collaboratively develop the needed capabilities of those involved. This increased the organization's capacity to sustain momentum and grow. Once developed and tried, the process is repeatable and sustainable.

Living in the Gap – Leading Change and Sustaining the Momentum

Janet, case two: "I have an adaptive model because change is an adaptive process. As you rethink and reframe the vision you are compelled to redefine the organization and then align the structure, processes and rewards to maintain the shared mindset to grow the results. Internal and external feedback give you a sense of the changing needs and the cycle begins again."

Bert, case four: "My work lies in the gap between the organization that we are creating and the current reality."

Ann, case five: "I spend much of my time helping others understand the vision and the learning capabilities that they need to realize the vision."

The above quotes exemplify a key leadership role played by the executive leader that was identified by Senge, (1990). Leaders need the capacity to hold creative tension. The reward is the energy generated when people articulate the vision, the desired results and the truth about the current reality. The gap referred to by Bert is the gap between the vision and the current reality. These executives had a well-developed discipline of focusing people's attention on the results most desired and the truth about the current reality. The natural tendency of this creative force is to resolve differences by changing the reality over time to meet the vision (Fritz, 1989). The capacity to cultivate and maintain the creative tension is a key capability of the executive leader. The capability lies in one's ability to cope with and maintain a creative rather than reactive stance to the anxiety that exists in the gap.

In addition to drawing on networks for inspiration and support to maintain a performance or creative leadership stance, six of the eight executives in this study acknowledged their own need to develop and maintain personal habits or disciplines, as identified in the works of Bennis (1994) and Senge (1990).

Purpose and Commitment

Bert, Winston, Ann and Janet describe the first and second disciplines of personal purpose and commitment. Bert, Winston and Ann describe their work as giving them a purpose in life. For example, Bert says, "What drives me probably most importantly is the building of organizations that are not only high performing but are fulfilling to the human beings that are working in these

organizations.” Janet described her approach to personal commitment and defined a ‘sponsor of change’ in her organization when she says:

“ A leader must be 100% committed to the change that you are embarking on, I mean heart and soul. They (the sponsor) will be there for you through thick and thin, to coach and mentor the project team. They will be the ambassador for the change in a broad sense, focus in the team and outside the team. They will fly air cover is the best way that I can put it.”

Summary of Conclusions

1. The findings of this study support the theoretical findings relating to shared leadership and contributes to the theory that building organizations with meaningful work for all people is a cooperative creative process allowing all those affected by the change to participate. This conclusion is evident in Brian’s summary thoughts on sharing the responsibility and accountability of leading change. Brian concluded that this is a process of co-creation. You have to evolve strategic change thinking in context of “how you want to be living in the future and make decisions in the context of the present while valuing the past. Maybe you are good at one of those three, but very few people put it all together. It’s really up to CEOs and leaders throughout the organization.”
2. The findings of this study support the theory that organizational learning capacity is a function of those skills and proficiencies that, among individuals, teams, larger communities, enable people to consistently enhance their capacity to produce results that are truly important to them. Among these learning capabilities this study found that these abilities include the following: reflecting on and clarifying personal aspirations; building and sharing new aspirations; an opportunity to converse openly about complex conflictive issues in a transparent manner; and, to think cogently about systems and take decisive action on systems, process and

structural issues (Porter 1998, Wiersema & Treacy 1995, Wheatley 1994, Senge, et al., 1999).

3. The findings in this study demonstrated that each executive leader followed an informal change process that closely follows Kotter's eight-stage theory of change as a process (1996).
4. The findings in this study support the growing documented evidence that the gains from enhanced learning capacity are sustainable cumulative, and self-reinforcing (de Geus 1997, Senge, et al., 1999, Balasubramanian 1998, Scharmer 1998, Argyris 1994).

Implications for Learning Organizations

Practical Implications

Regardless of the context for strategic change, the findings from this study offer a change process model for executive leaders embarking on a change initiative for the first time. The cases contain rich descriptions of leaders' experiences and perceptions about the nature of leading change initiatives. The interpretation of findings brings clarity to the different roles executive leaders performed while engaging the forces of change and fostering the development of learning capabilities and in-turn enhancing the organization's learning capacity.

Executive leaders may find the case information and findings that deal with overcoming resistive forces of particular interest. The executives in this study were highly committed and embraced resistance by patiently and creatively getting people involved. They increased the levels and frequency of communications, challenging those involved to rethink their reasoning and to redefine by co-creating the new vision or end state.

Is this creative approach practical in today's large institutions of higher learning where the rules of success no longer seem to serve the stakeholders (i.e. students, faculty, administration, community, state, and country)? Others seem to suggest that these large institutions are falling into a state of chaos rather than orderly change and in a chaotic state this formula for change may be unwelcome and unrealistic.

Casey, case eight, suggests that there are unique issues concerning strategic change in universities that offer mid-career programs for post graduate higher education. Casey also suggests that the forces of resistance in Canadian universities and the dissatisfaction of the students of these institutions led to the decision to create a new form of post-graduate mid-career education. His mandate to create an entirely new institutional model represents the pioneering process of developing a new set of rules or paradigm for post-graduate mid-career education. Further study of this case or additional research may offer executive leaders of other institutions the opportunity to understand how this form of education is working in real time. By studying the rules of this new paradigm executive leaders may find opportunities for adapting or profoundly changing post-graduate mid-career education programs.

Again, although the context for strategic change varies with each case, the findings from this study offer a change process model for executive leaders embarking on a change initiative for the first time. The cases contain rich descriptions of leaders' experiences and perceptions about the nature of leading change initiatives, the roles, the strategies, tactics and methods for engaging the forces of resistance and enhancing the organizational learning capacity. The interpretation of findings brings clarity to the different roles executive leaders performed while supporting the development of learning capabilities and organizational learning capacity.

The findings, relating to the roles of sponsor and champion, support the findings of Connor (1997) and may indicate that the process of managing change is evolving into a more formal role in organizations. The position title EVP Strategic Capabilities while unique to one case in the study seems to announce to those in the organization the importance placed on sustainable change. There was evidence supporting the need to have person(s) responsible for the development of new organizational capabilities in each case. Although position titles varied, other executive leaders in this study also acted as sponsors and/or champions leading the development of learning capabilities in their organization.

In every case, the ability to create a sustainable change process was directly linked to the executive leader's success at involving those affected by the change. In addition to involvement, the leaders spent time and created initiatives designed to build generative learning capabilities. This enhanced the quality of conversation and thinking within the leadership community responsible for the change work, as well as those affected by the change. It is through this collective organizational generative learning capacity, relating to conversation and thinking, that the change gains momentum and succeeds or stalls and is less successful. An intuitive sense of timing and seizing opportunities to accelerate the change was a critical factor demonstrated in almost every case.

There are several ramifications relating to the generative learning capabilities of conversation and thinking. As an example, learning organizations may look for these capabilities as a prerequisite to hiring or promotion. These capabilities also affect an organization's ability to foster creativity and diffuse innovation throughout the organization and so, action-learning initiatives designed to raise the quality of conversation, dialogue and thinking throughout the organization may be a valuable investment that will

enhance the likelihood of organizational growth. These initiatives will go along with the creation of building communities of learning and knowledge management systems because generative learning capability drives continuous improvement and sustains personal renewal.

The Implications for Higher Adult and Lifelong Learning

The notion of self-awareness and the need to possess capabilities to cognitively reason, effectively express one's self and relate to others in a particular context, is in no way a significant finding. For more than two decades, adult and lifelong learning theory has explored the concept of experiential learning as it relates to work and self-meaning. This study builds on these theories by relating the quality of conversation and thinking to the process of change and demonstrates how executive leaders are applying generative learning capabilities to enhance the collective learning capacity of the entire organization. Of particular note were executives defining their work as fulfilling and giving meaning to their purpose in life. Also, their passion and commitment to build organizations suitable for giving people a sense of responsibility and meaning to their work life experience.

These findings have significance for the faculty who design curricula for higher education. First, the need to ensure that education is relevant and develops within the individual those learning capabilities that will enable greater self awareness and the power to utilize feedback and reasoning to self-renew and strengthen these capabilities over time is important. Further, it is necessary to provide practical experience that will reduce the natural tendency of reverting to a reactive or defensive leadership stance, in-favor of a creative stance. Second, to educate future executives about the process of change and its relationship to generative learning capabilities. Lastly, to deepen understanding of the power of involvement or co-creation. Change is a function of time and the leader's ability to shift mindsets. The methods and means for creating change varies with the situation and the organizational

context, however fundamentally it involves getting people to think and see things in a new framework so they can over time and through adaptation create the organization most desired.

It should be noted that visions or aspiration goals do not drive many successful organizations. These organizations are often deemed to be sunset industries living exclusively on financial and structural capital ambitions. These organizations do not fit the current definition of learning organizations. Therefore the findings in this study are limited to organizations that are driven by visions and aspiration goals that rely on all three capitals, especially human capital, to derive future success. In fact, these organizations may eventually redefine our notions of economic success from being primarily for the purpose of profit to the shareholders to being primarily for the purpose of providing meaningful products and services and work to the community.

The implications for Further Research

This study was balanced between case descriptions and interpretation of the executive leaders' perceptions, which leaves ample opportunity for more interpretive research about the creation of learning capabilities and learning capacity in organizations. For example, how do individuals unlearn years of education and experience vested in the reactive or defensive stance. The cognitive filters of defensive reasoning are natural and may be based more in our genetic response system than in our learned behavior. Developing new ways of learning, changing our process of reasoning and being more transparent in our behavior will enable people to leverage the power of generative learning capabilities, which provide a far deeper and more textured understanding of their role as members of the organization. Lastly, these cases have provided insight into the group dynamics of conflict and relationship building, both as individuals and as a team. Further study of

the group **dynamics of change** may lead to **greater understanding and new practices for** leading change in large institutions **that have fallen into a chaotic state of organization.**

APPENDIX A

March 26, 2002

Dear Sir or Madam:

Thank you for agreeing to participate in my study. As you know, I am presently working toward a doctoral degree in adult education at Michigan State University and I am in the research phase of this program. My research focus and qualitative study is about how executive leaders perceive the nature of building learning capacity within the change initiative, their role(s) and, the ways in which growth and limiting forces shape and address that initiative. I know that your expertise will contribute to my findings.

There are no right or wrong answers to the questions that I will be asking. I will be working towards gaining an understanding of the environment in which you work and the influences that you may contribute to the successful or unsuccessful implementation of a strategic initiative within your organization. I (the primary researcher) will review data collected during this study and emerging themes and concepts will be reviewed and analyzed. It is my intent to preserve the identity of the participants and to protect the privacy of any participant to the maximum extent allowable by law. However, you are free to withdraw from the project at any time without penalty or recrimination.

By agreeing to participate in this project you have consented to the following:

- ☐ An initial 60-90 min. interview (audio-taped)
- ☐ Additional phone interviews if clarification is required after the first interview or if there are further questions that require your input
- ☐ A follow-up 10-20 min. interview (audio-taped)

All information that you choose to share will be confidential between you and me. All audiotape of interviews will be used to assist memory and aiding the transcribing process. All audiotape will be destroyed within one year of the final defense of the research project. Any potentially revealing comments will be coded and only identifiable to the researcher.

If you have any questions regarding the roles and rights of any subject in this research project, you may contact the IRB separately and ask to speak to Dr. D.E. Wright, Chair of the University Committee on Research Involving Human Subjects (517-355-2180). If you have any additional questions or require further clarification please contact me at 416-699-8001 or roberthedley@home.com. If you have no further questions and still agree to participate, please read the attached consent statement and return it to me in the self addressed (postage paid) envelope included in your package.

Statement of Consent

To participate in the research project directed by

Mr. Robert William Hedley

Winter 2001

At Michigan State University

I have freely volunteered to participate in the research project that Mr. R. Hedley is conducting for the final requirement of his Doctoral studies at Michigan State University. I have read and understand the introductory letter describing the research and understand that my participation is completely voluntary. I know that I can withdraw from the study at any time, without penalty or recrimination. I also understand that all information revealed during the interviews, and that every effort will be made by Mr. Hedley to maintain anonymity and confidentiality. I have had my questions clarified and acknowledge that no payment is forthcoming from my participation.

Having read the above agreement and accompanying introductory letter, I agree to participate.

Signature: _____ Date: _____
(Participant)

Signature: _____ Date: _____
R.W. Hedley (primary researcher)

Sincerely,

Robert Hedley
Principle Researcher

APPENDIX B

Semi Structured Interview Questions

1. Please tell me about your work at [name] company; position, work responsibilities, how you came to be in this role and what you have accomplished to date?
2. Please tell me about your current change initiative.
3. Please tell me about the learning initiative(s) that relate(s) to the change.
4. Please tell me about the challenges/problems that you face in this work?
5. Please tell me what excites you about your work, the people you work with and the organization?
6. How has this work affected you personally over [time] in this organization?
7. How has this work affected those you work with [peers] [direct and indirect reports] (state the question twice)?
8. A year from now how will these people and this organization is affected by these initiatives?
9. Do you have a theory or model for change that you refer to in your work?
Can you draw it for me?
10. Do you have a metaphor that describes your work role?

Appendix C

Leadership Case Narrative #4

Values inspired strategic change: *demutualization* of major insurance company

The company and its values

In June 1999, the owners (policyholders) of a prominent Canadian mutual insurance company voted in favor of two big changes. One was to give the company a new name. The other was to *demutualize* — convert it from a company mutually owned by policyholders to one publicly owned by shareholders.

The company's leaders, like those in all five of Canada's large mutual insurance companies, had been agonizing for some time over the decision to demutualize. However, to everyone's surprise, this company's leaders were first out of the gate to actually make the decision and act on it. What made the decision even more surprising was that, unlike the others, this company had been created a century earlier as a mutual company owned by policyholders.

"The reason we were able to make that decision (to demutualize) as clearly as we did, and to make the changes that we have been making as successfully as we have, I think in large part was because of our three core values of stewardship, innovation and partnership," explained Bert, Senior Vice President, Strategic Capabilities.

"For example, we looked at our stewardship responsibilities for the people that actually own this company through their customer relationships. From a stewardship point of view, in terms of our responsibility towards them, it was no longer tenable that we were using some of the capital of the firm

that belonged to them for other products. Most of these other products were not products that gave them a participating share in the company."

"We were doing a number of things that were no longer tenable in the logic of the firm and of its ownership. When we became clear about this being the right thing to do for all stakeholders, from a stewardship point of view, we really grew to understand what needed to be done, to change the organization, in terms of making it a public company. So, those values were very much at the forefront of how we came to those decisions and how we actually applied the decisions and implemented them."

Executive Leader's Background

Bert came to Ontario from Montreal in 1968. He took political science at Toronto's Glendon College (York University), and completed a Masters degree in political science at Carleton University in Ottawa. He then spent six years with the Ontario government, working on policy and strategy development for the post secondary school system. Much of his time was spent "running between Treasury and Education and explaining and articulating how economic development was related to post secondary education."

The Ontario government gave him good experience, he said. "I would say that it's good for young people because you end up with a lot more responsibilities than you would in the private sector. You end up doing stuff that you could never dream of doing anywhere else. I came to the Ontario Government at an interesting time — in 1974 — when there weren't many young people. I was just a young guy from Quebec."

Later, while working on a doctoral degree in education at the Ontario Institute for Studies in Education (OISE), Bert joined the Canadian subsidiary

of a major multinational energy company, and initially was responsible for organization and leadership development. Throughout the ensuing decade, he held various corporate positions, including training and development, and several operational and human resource roles.

Subsequently, Bert moved to a major Canadian bank to lead a strategic unit responsible for renewal, which was really a change management role. "I was Vice President, Leadership and Organizational Development. We had six portfolios. At the time, I remember, the sixth one was leadership development."

"The other five portfolios had to do with sorting out the people management and development systems, diversity policies, and various other things that had to do with preparing the organization for growth. " Once the first five "portfolios" were well under way, Bert focused exclusively on the sixth, and opened a leadership center, which enjoyed much success for about five years. "Two years after I left they closed it. I have my own views as to what happened in the interim, but you know, a huge fundamental change process went on through the center."

Executive Leaders' Role

Under a similar mandate, Bert joined the insurance company. "My first position was Vice President, People Knowledge and Strategies, and I did a lot of work on strategic processes. Then, I became Senior Vice President, Strategic Capabilities, and my current position. I report to the Chief Executive Officer and I'm one of the top five or six most senior people in the company."

Senior executives at this company operate within two different forums, Bert explained. "One is the management committee, which is really managing the current year, the current year's commitments, and the business finances,

ensuring that all of those issues that impact capitalization directly are dealt with. The management committee includes the CEO, the heads of the Canadian, U.S., Investment and Insurance businesses, the CFO, external advisors, and me. Then there is what we call the strategic planning group, which is composed of slightly different members, and includes the CEO. It's a group of six people who look at how the organization is creating its future, with more like a three- to four-year horizon."

In Bert's view, the capability most needed by senior managers is "to understand the dynamics of the business, to deeply understand the business dilemmas, identify themselves first as business people, and use the tools at their disposal to fix what's broken, as opposed to trying to build a new car."

Along with the Canadian, U.S., Investment and Insurance areas, Strategic Capabilities is a key business unit. Bert's business unit is responsible for ensuring the company has the ability to realize its business strategies. For example, one of the key positions that report to Bert is a "business manager responsible for all projects and reverse allocations that move the company from the intention to the reality", said Bert. "Strategic Capabilities is about building the bridge between what we intend to do in the marketplace as an organization, and our ability to actually realize those things internally. It involves individual capability, and all of the policies for our human capital, for individuals in this firm."

"If you look at the intangible assets of the company, it's made out of human capital, structural capital, and customer capital. Human capital is individual capability. Structural capital is organization capability. Customer capital is the positioning that we take, our advertising, and the customer strategy that we have. Personally, I believe that you have to have that inter-culture mandate to make things add up." When asked if his area included

corporate communications, Bert said corporate communications was "something else."

"We also have something called Membership Services," Bert continued. "We don't have Human Resources. We eradicated a lot of the stuff that belongs to the old, more traditional way of doing things." Teams were set up to look at the issues, what was working, what are no longer working, and what needed to be done. The people who worked in Human Resources were heavily involved in determining the changes that would affect them, so they would understand the changes more deeply. It was not an imposed change. "This is an organization where we have done a lot of work around shared ownership, so the teaming aspect is fairly intense," Bert claimed.

"There was a fair bit of emphasis on what I would call accountable team work. They had to actually wrap their minds around it in order to design it (the new human resources department), so that when they came to the implementation part, they had been immersed in the thinking. They themselves translated it into the reality they wished to create. " Calling their new department *Membership Services* reflected the fact that "we don't speak of our folks as being employees as much as we speak of them as being members of the firm," explained Bert. In all, the company has 5,000 staff members and 3,000 agent members. Agents, while self-employed, are in effect, employee members, since they are exclusive agents dedicated to the company.

In considering the difference in size between the bank and the insurance company, Bert claimed size was not a big variable. "For me, the geography is a factor, but I am not sure that size is much of a factor. I was working at the bank with 45,000 employees. Here there are a total of 8,000. Is there something materially different? Is it any easier or more difficult? I couldn't say that it was because of the size difference. The one thing that is

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different is that I do not have the resources I had at the bank. Here, I work with much more modest resources, which makes the work more demanding in terms of finding ways of achieving things."

Bert's Strategic Capabilities area also has a group and a practice leader in charge of organizational capability. "These are folks who do internal consulting to ensure that we have effective teams and planning processes, and that we proactively address issues affecting our performance," he said.

"We also have a knowledge team that reports to me — we have a very significant effort around e-learning and knowledge. Branding is also part of my responsibilities. Branding is the connection with our customers, ensuring that our brand is positioned as it should be, such as selecting the right name for the company and portraying where we position ourselves in the marketplace."

Bert is one of few senior managers from outside the company. With his unique blend of experience in the public sector, as well as the banking and energy industries, Bert's varied background sets him apart from his insurance company colleagues.

"When I first came here there were not as many people from the outside. I was one of the few people brought in at a fairly senior level from the outside. I didn't grow into part of this organization. So, I am an odd duck and I remain somebody that's not like everybody around, in some ways. In this kind of situation, there is always a certain amount of discomfort at first, and it takes time for people to get to know what you're about."

"I do lead a double life, in the sense that I work within an organization, but am also very active in an international network. I speak at many international conferences on an ongoing basis. Although I work with one

organization, I am part of a network and work with a number of companies outside of this company."

"For instance, I am on the Knowledge Board of (______). The office of Knowledge Management at (______) has an advisory board of internal and two external members, and I am one of the two external members. I have been very active in helping them set up their knowledge strategy. I work on advisory boards with "*dot com*" companies as well."

The Nature of Change

In Bert's four and a half years with the insurance company, "*change work*" generally has centered around changing the way in which the organization sees itself internally and in the marketplace. "Change here has really been about redefining the fundamental assumptions about what it means to be an organization in order to be successful," he said. "You measure that by changing the evolution of its vocabulary. So, for instance, now most of our business leaders look at their businesses in terms of capability. They don't look at their businesses simply as the outcome on the spread sheet as much as they look at them in terms of what's needed to actually create the value required for our customers, in order to tally up financial results."

The Executive Leader's Imprint

"So, the change experience was probably based on the fact that I had some views of how this work needed to be done" Bert said. "I have a fairly systemic view of the organization and I have an equal balance of thinking and doing, which I think most people have problems with. Many people think that the world is split between people who "*do*" and people who "*think*". I am of the

belief that effectiveness resides in the ability to have a good balance between these two. So, I am fairly action oriented. I like to function on the basis of good, well-thought-through frameworks, and on building teams that actually deliver on these things. The change experience here is just like any other."

"In a sense, it is difficult to speak of the change experience separate from the work that I do, because it describes my life. You are always caught up in those kinds of things. It's like I am a window washer and I work at a certain height. That's my work. It's who I am. What drives me above all is building organizations that are not only high performing, but also fulfilling to the human beings working in those organizations."

Building Momentum

"Initially, I spent a fair bit of time talking about what we ought to be and talking about the vision and facilitating many of the concepts and things like that. Perhaps, in hindsight, I may have done too much of this early on. There is always push back when inserting new language into the organization. But, I think they've just given up resisting, which is why I carry on, and people have rallied quite well."

"For example, Membership Services, as opposed to Human Resources, is now well accepted. Strategic Capabilities is now well accepted as looking at the way we do work. While there have been, at various points, a lot of push back, or resistance among my peer group, we've done a lot of work that people know has marked the organization in very meaningful ways."

"Two or three levels down, it's rather uneven, in terms of resistance. Some people see me as opening up the place. Others see me in a rather threatening kind of way, as being someone who is bringing ideas that are

foreign to them, as kind of an outside influence that does not recognize the glory of the past."

"What's been interesting during the last couple of years is the recognition that this is something the company needed to have, given the various things that have happened in the marketplace, which impacted the company. At times, I thought it would be difficult for me to continue with some of this work, but in fact, it's (external factors) always reinforced what I was trying to do, as it turns out."

"The external changes that keep hitting the walls of this organization have made my task around change a lot easier, in a sense. People have realized that there was, in fact, a business rationale for some of the stuff that they initially were questioning."

The Change Model

Bert claimed he subscribes to no particular theory or model of change. "I grab on to anything that goes by. I like to put out the vision that we're trying to accomplish, demonstrate why the status quo is not satisfactory, and demonstrate to people the initial steps that we need to take to get ourselves from this unsatisfactory status quo into the future."

"I am unabashedly opportunistic. However, people will probably say that this unit is as strategic as any unit within the company. I have this way of tacking to get there, but the vision is fairly clearly laid out, and I don't deviate from it a whole lot. If there's a model, then probably it is that we line up this vision and we do a bit of tacking into the wind. We do have the organizational capability unit, the group community of practice whose main discipline is change management. And every business team has an organizational capabilities consultant whose main role is to facilitate change."

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"I think it's pretty clear that structure is one of the early steps towards transformation, because if you don't change the structure, you can't do anything. So, you have to first align the structure to the overall strategy of the firm, in terms of how it's going to reach its customers."

"If our strategy is that we're going to be creating customer intimacy and really relating closely to the customer, we can't be a product-based organization. That much was clear, and that's what led us to structural change. Then once you've got the structural change in place, you can start working on some of the other aspects: creating the right culture, the right attitudes, the right values, behaviors, responding to the customer-building partnerships across the firm between agents, agent members and the staff members."

"I offer top-notch services in making the organization work well and get permission to work on what will create its future. You gain your credibility by making things work. Having done that, you are allowed to take the opportunity to make the kinds of changes the organization needs to undergo. You can't be a spectator. You have to be vested in making the organization work. While you do that, you also have to keep taking the pulse of the organization, so you know what buttons need to be pressed, in order to achieve the next level of change."

In reviewing how the "*change work*" has affected him, and how he's changed his thinking over the last four and a half years, Bert said "I'm probably a lot more empathetic, a better listener, better at understanding, better at delving into what people really mean and in taking that into account. In the past, I was a lot more push oriented. I would have liked to work more with people in creating the story of what we were becoming together."

Perhaps, in hindsight, it was more pushing, but it was the only way I could do it."

"I think now I would be more inclined to tell the story, by weaving in peoples' responses, to create the story that people can rally around and feel excited about. That is probably the biggest development that I've gone through in the last four and a half years."

In addition to guiding people in the organization through several major change initiatives, Bert has also made a point of linking and leveraging their efforts along the way. "Overall, I tend to see things as multi-pronged and all related to one another," Bert explained."

"For instance, one exercise we did was three and a half years of very applied work, on understanding the values of the organization. Observations that the company's leadership was "uneven" and certain units were "operating differently from others" had triggered the beginning of the "values exercise". Bert believed the best way to understand the situation would be to work from a "values platform."

"We brought in values work and surveyed 5,000 employees in terms of values. From that work, we identified the common strands that existed in the organization, and identified the core values that this organization needed to stand for. In fact, these values served to offer a foundation for the branding, and the name of the company. I used that issue (leadership "unevenness" and business unit "differences") as an opportunity to bring in work that would resolve that issue."

"But, in fact, it addressed a whole number of issues at the same time. For instance, I worked individually with the key business leaders in clarifying their own business unit issues. They started to say it was important to talk as

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a team. So, we brought them together as a team for three full-day meetings over a period of about six months. These meetings were extremely demanding, with people working on their own values, and the values of the membership. They were defining values for the organization and input the "key values".

"There was a kind of anxiety produced in those meetings, because as we declared certain things to be "values of the organization", managers were unaccustomed to living against those values. It was like being asked to open up and show everyone your personal scorecard. We were able to plod through that, and the values work has been extremely important to this company. In a lot of ways, it continues to be used."

"As a matter of fact, now we do a quarterly web-enabled survey of a structured sample of the organization, to monitor the evolution of the values of our people, and how well our organization is meeting our core "organizational values". What's interesting now is that nobody's questioning the existence of the values. Nobody's questioning the significance of this work, although a year ago there would have been a lot of questioning."

The most significant factor in the movement from resistance to acceptance was seeing where the values were applied, used and leveraged, Bert said. While people initially may have thought he was "going through the motions of some kind of intellectual exercise," he believes they now understand what he's doing. "Since I'm now talking about the next generation of things, people are beginning to realize there must be something behind it."

A key example of people seeing the values applied, used and leveraged was in the decision to demutualize and change the company's name. The senior management team made these decisions, with help from an external advisor "to sharpen up some of the strategic thinking."

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Implementation of the demutualization also included external advisors such as investment bankers, said Bert. "We did have quite a few external advisors. But this partnership aspect, the whole partnering value, is also about opening this company to a whole number of different partnerships, to acquire and link into capabilities that we don't have internally, and to compliment the capabilities that we have with those other people bring by being good partners."

"Today I was having lunch with someone who is an outstanding partner and has worked very closely with us. We probably pay less for his services than anyone else in North America does, and yet he values this relationship probably more highly than any other partnership, because we work with him to develop his material. He gets a great deal of innovation coming out of here and our name is good in the marketplace, so he can use us as a "marquee" customer and those kinds of things. We do quite a bit of this."

Another example where people saw the values applied, used and leveraged was when the reorganization occurred. This was about six months after Bert joined the company. Rather than a product-based structure, the company has adopted a front-end, back-end organizational model that Galbraith talks about, said Bert.

The company has been evolving a structure that has a clear line of sight to the customer and responsibility by lines of business.

Line of business councils, such as retail, health and group insurance councils, were created to bring together people from various parts of the front and back ends of the overall structure, to look at the profitability and the issues that affect the profitability, of each business line. "Results are tabulated by business line and yet the structure is on a process flow basis to the

Customer. The council concept is very much a value-added kind of process to the customer, Bert concluded."

Appendix D

Leadership Case Narrative #6

Leading Change in the Public Service during economic downturns

Background

During the widespread deficit cutting and downsizing of the early 1990s, one of Canada's provincial governments appointed a new deputy minister (DM), equivalent to a chief executive officer (CEO) in the private sector, to consolidate its five education and training ministries into one new ministry. Senior management affected by the consolidation included four other deputy ministers and 15 assistant deputy ministers (ADMs), equivalent to vice presidents. In all, this major change initiative involved a series of re-engineering projects, an \$11 billion budget, a massive reorganization of approximately 12,000 government employees and, ultimately, the elimination of about 500 positions.

Combined responsibilities of the new ministry included elementary, secondary and post-secondary (college and university) education, skills development (workplace training), a project that involved public and private stakeholders determining the province's training needs, and a project that gave welfare recipients support in finding work. While a huge challenge, consolidation of the five ministries also offered a unique opportunity for change and new learning within the provincial government. Change is what learning organizations are about and the task was to turn the ministry responsible for education and training (the province's learning) into a learning organization itself, explained Paul, the DM who was responsible for creating the new ministry.

Executive Leader's Background

Currently, Paul is executive director of a mid-sized "activist" charitable foundation and a permanent part-time university professor. Prior to that, he was DM in three different provincial government portfolios, including education and community and social services, with budgets of over \$12 billion and workforces numbering 3,500 to 11,000 employees. Previously, he was chair of the governing body of the province's colleges, and a college president.

Executive Leader's Role

In discussing his current role, Paul recounted a recent experience as a consultant coach, helping people in South Africa work on their educational system. He was visiting a township school with no textbooks and found a teacher with 115 children in a classroom that had been designed for 30. "The teacher, not succumbing to the culture of blame, had involved the children in interactive, small-group learning, a curriculum that he invented. He believed that it was up to him. There was real learning going on, and hope for 115 kids. I cancelled my schedule for the rest of the day to spend time with that teacher. Here were conditions that are not conducive to proper change and innovation, and do not reward the efforts, yet this teacher was doing it anyway. I wanted to bring it (the learning method) back and see whether it applied here."

Paul also recounted the story of his arrival, a number of years earlier, on the scene of a different experiment in learning. "On February 3, 1993, I actually replaced four deputy ministers and inherited the staff and responsibilities of five different entities. The task was to develop a brand new ministry that was seamless, and to build a new culture." Setting out to carve a new culture from five different sub-cultures was no small feat at a time of

increasing job insecurity, when downsizing was prevalent both in the public and private sectors. In addition, recalled Paul, "Expectations were that the exercise was going to require very little time. We were going to be afforded very little time to get the new organization working effectively."

It took about eight months from the day Paul was sworn in, replacing the previous four DMs, to initiate the first re-engineering project. "I could have truncated that to about three months, but would not have had the involvement of everybody in the ministry. Everybody in the ministry had access, to participating in the design, vision, mission and values." An advocate of "democratic administration," Paul said he believes in clear responsibilities and shared vision. "I am a big believer — have been for twenty-five years — that being effective requires reciprocal opportunities for influence, and opportunities for the vision and direction of the organization to be a shared one that is understood by every single person who works there."

The Nature of Change

In this case, however, people knew their jobs were at stake, so they just wanted answers quickly. Said Paul, "Of course, in the context of job insecurity, the issue was how much involvement is appropriate, because involvement requires time. The number one question was 'What's my job, where do I fit, and do I have a job?' Now, that's not true of everybody. There were people who were virtually secure, but a very large number of people knew what I had been asked to do." For example, from the beginning, the senior team of 15 ADMs, inherited from all the different ministries, was among the most insecure. "I assumed that no matter what structure we came up with, there would be room for probably five or six at most."

Making the necessary ADM and other adjustments presented Paul with a significant time challenge. "During this major change project, my external

time escalated. I guess I gave 200 per cent instead of 100 %. In terms of the amount of time spent during my initial six months on the job, I probably was up to more like 18 or 20 hours a day. I don't get a lot of sleep anyway."

Paul believes that, even at the best of times, 50 per cent of a CEO's time should be spent "outside, representing the organization, doing on-going environmental scanning, conveying information to external people, and bringing back information about the future and contextual information about the organization's situation. That includes supervising and developing direct reports, and carrying out the organization's interest and directions through them, as well as wandering about, and being involved in the organization's activities."

External work has stories that are frequently attached to it. Also, by moving around the organization, there is an opportunity to get information. That will make anyone a more effective communicator about the nature of the organization's work. It's also an opportunity to circulate information from the outside for people to consider, such as aspects of the global economy and potential opportunities. It's an opportunity for a CEO to act strategically by giving and getting information on a constant basis."

Paul made a point of ensuring his direct reports, above everyone else, felt personally secure from the outset of the change. He started by selecting a change leader to plan and implement learning initiatives and change processes, while he focussed on individuals and their careers. Paul knew some of the senior people would no longer be there, once the new organizational design was completed. He wanted to make sure that the new senior team "reflected far more around all of the dimensions of equity", so he spent a considerable amount of time discussing with people their individual career aspirations.

Before he had arrived, Paul had researched all the senior people and chose one as the senior in charge of transformation. "The change leader has incredible talent, in terms of her communication skills, leadership development and technology. She was key to the transformation. Along with my executive assistant and secretary, we formed a team of four to plan all of the processes, with input from all the other senior people who were actively involved."

After about three months, Paul had a draft design that included internal input from both the senior team and others in the ministry who, through consultation and collaboration, contributed ideas about the new entity. The draft also included external input from a reference group of about a dozen "clients," including college and university presidents and private sector trainers. Paul explained that the external group "kept us honest with respect to customer service" and helped identify potential opportunities, based on their experience with the five former entities.

Internal Input

In considering the value of the internal input, Paul observed that some suggestions about design and direction were obviously self-serving. For example, implementing one particular suggestion would have required expertise that only one particular ADM had. On the other hand, said Paul, many of those close to retirement, with no vested interest, viewed the draft design as an exit exercise. "They said they thought it would be a disaster to do the same old thing, because it didn't work. So, I had kind of a unique combination. Since I believed in putting everybody together, we had folks with little vested interest, and others whose suggestions were obviously a little more personally motivated. I held a combination of group and one-on-one discussions where I would provide feedback."

Paul recalled the feedback he gave one "notoriously manipulative" participant, who also happened to be extremely bright. "I had dealt with him before, and knew how he behaved with his peers. He was ruthless. Since he manages down and up pretty well, but destroys everybody else, I knew from the start he wasn't going to be on the team and told him why. I was probably the first person who ever gave him this feedback. I also told him I was going to work very hard to get him a job, because he was brilliant. I was straight with him from day one. I worked very hard on the one-on-one meetings to make sure that there was as much personal security as possible."

Overall, much of the initial change work was accomplished in collaboration with internal and external clients. Paul said "A search committee was established that included the transformational (change) leader, one of the outgoing ADMs and some subordinates. We went through the entire process, changed the senior team, and set in motion the assignment and/or interview process for all of the key jobs under the new organization."

However, there was one gap. Paul recalled "no one had the required capability for the new organization's anti-racism, access and equity division. He had inherited 15 talented senior people, with three near retirement, and some ready to do something else outside the ministry. That left three who were placed elsewhere and one who moved on to a successful school board career. Still, there was no one available for the role in anti-racism, access and equity. "There was a high need for someone special and I didn't have that. For everything else, I had enough talent to mix and match."

Re-engineering

According to Paul, the new senior team immediately began an intensive re-engineering course, taught by an IBM trainer contracted by the

change leader. "The first thing we did was go to school for three hours a day, for three weeks, and then we got into the re-engineering work. We really learned how to do it, and were using what we had learned. This was at the time when IBM was about to go under, and just didn't see it coming. In order to sustain the company, they basically invented the re-engineering processes. Then, after they had saved themselves, they decided to sell this re-engineering course they had developed."

During the entire process, all of the senior team's activities were transparent. "I told the whole organization about this course. I also told the whole organization that while we were going to school, we were also interested in sending anybody else who wanted to take the course. I made it very clear to the union that when they heard the word "re-engineering" they needed to understand that our context was different from other organizations, where "re-engineering" meant not just eliminating steps but eliminating people. So, I never had any problem with the unions throughout all of this. They were extremely helpful; they retained their important roles."

"We asked if anyone in the ministry wanted to learn the re-engineering process, so that when re-engineering was applied to certain procedures and functions in the new divisions, they could be "seconded" as part of the expertise to do the work. They could mentor others. We got something like 170 applications from people wishing to be trained. The transformational coach (change leader) set up a process to interview everybody and strategically chose a team of about 30, who all got training in re-engineering, and then the work started cascading."

Developing internal re-engineering expertise enabled the ministry to do much of the change work without external support, beyond the initial training sessions and an IBM advisor. "We also had enough self-confidence, mainly because of the transformational coach. I eventually became confident enough

to know what we needed and when we were insecure. That's why we retained somebody to act as a sounding board. The whole ministry got to understand what was going on, such as, how you remove steps from processes and reduce our time. Of the two re-engineering projects that we chose to begin with, one involved how we treat each other inside the ministry, and the other involved the time we take getting something to a client outside."

Value of Communication

Throughout the change process, Paul continued to place great importance on involving people and communicating honestly and candidly. "I took the biggest risk by remaining a democrat, because even those affected by change often will say, 'Don't involve us. Just tell us whether we've got a job or not. Get it over with.' While I think that's a nice thing to do, I also think it's a dumb thing to do."

"If you rush the values and principles process, or the design process, it means that you cannot involve people in a meaningful discussion about what the structure ought to be, and what the outcomes that are served by that structure ought to be. So, the process of determining the new structure, vision, operating principles and values took six months. Throughout, we said to people that we were going to do everything we could to ensure nobody was disadvantaged in terms of employability."

When asked for guarantees of employability, Paul told employees that he could not make any, but his track record was "real good in terms of where I've been before. If you feel that you have to do something to reduce your anxiety, then call those organizations. Phone my previous organization and talk to people who were there when we had difficult financial times."

In his previous role, Paul had also led a major change initiative that focussed first on job security, in order to eliminate the need for resistance through strike or work stoppage. "See for your self if what I said matched our actions," he challenged ministry employees. "What you will hear is that, as we eliminated programs, we retrained people for emerging programs. We did it with a three-year horizon so we did not jeopardize people's employability. So, my track record is sound."

Skepticism was understandable, he told them. "But we are pathologically dedicated to ensuring that your employability is something you can count on. We will do everything possible. As we begin to redesign the organization, take five areas and meld them into one, culturally and functionally, we will have new jobs for those who require them. The manner in which we train you for those new jobs will be leading-edge."

In addition, Paul told employees outright that, in the final analysis, there would be 500 fewer roles, with half disappearing through attrition. The remainder would be placed in new opportunities, other parts of the government, or outplacement. Any employees experiencing serious challenges to re-employability would have individualized teams dedicated to helping them find another job. "I had to keep repeating all this," Paul said. "We put it in writing. While I could never put in writing or say publicly that everybody will get a job, I could say face-to-face what we were going to be doing, and people could look into my eyeballs when I said it."

The focus

Focussing on job security at the outset was meant to make people feel personally secure. "If a large part of the organization feels that you do not have their interest at heart, it will be impossible to get them involved and creatively participating in any change effort," Paul said. "Our reputation for

acting out the (employability) principal was enhanced by early stories of success. People saw opportunities and saw how hard the employability teams worked. They saw people preparing for job interviews. Early on, people began seeing the up side of this opportunity."

Reflecting on how people became inspired and involved, Paul continued to emphasize the need for communications during change. He referred to communications as a necessary organizational process that is "the most important element in any activity, not just during change, but in normal times as well. The number one element that has to be part of any organization at any time is communications. Ask any employee in any public or private company in North America what their biggest need is. Nine out of ten will say they need more effective communications."

A communications process, set up at the beginning, was maintained throughout the change and after the major amount of change was accomplished. This included a newsletter called "*Metamorphose*", published almost daily early on. "But there is no substitute for face-to-face communications," claimed Paul. "So, I was available probably every other day for two or three hours during my first six months there. I was also available online and by teleconference, because the ministry was all over the province. I was available for a completely open forum every Wednesday morning for about two hours throughout the change process, a practice I continued throughout my tenure."

Lessons Learned

Paul discussed some important lessons learned in leading earlier change initiatives. As a CEO joining the ministry from outside government, Paul had learned the importance of presenting "certain core values, which are not up for grabs." For Paul, such values included "doing fewer things better,

rather than all things less well." His commitment to "democratic administration" is also not up for grabs, because participation breeds creativity and commitment. "If I am the CEO, although it may sound like a contradiction in terms, I will mandate that participation is the order of the day. The transparency about what we're doing is the order of the day. The budget processes have to be completely transparent to allow everybody in the organization to participate, to understand."

Core Values

"I only have two core values. If you interview somebody with more than four, you're talking to somebody who has none. My two core values are equity and authenticity. Everything I do is informed by equity. Authenticity is also hugely important to me. Transparency, in terms of what I am about and everything I do, is designed to produce more equitable outcomes. Therefore, it is not an accident that in my current job we fund research on the gap between the rich and the poor. Everything the foundation does is about social and economic justice. It is not an accident that mine was the first ministry in the country to have a division called anti racism, access and equity. I also try to live my life in an equitable way, in terms of how I share power, both in my family and workplace. My work is about equity and my own development is informed by it."

For years, Paul has written in his "leadership development diary" every morning. His jottings focus on how he measured up the day before to the four ideal words that define leadership for him. Everybody should have his or her own definition, he said. "I am really excited about what I don't know, so each day is an opportunity to learn how to be a better leader." Together with an annual 360-degree assessment, he uses the diary reflections to self-evaluate and to determine his progress in leadership.

Paul recalled valuable lessons learned as a college president, his first major management position. "I thought that I had done my research in deciding to stand for the position, and that everything was relatively tidy. In fact, the college was a mess. I inherited something that was kept quite secret; I inherited a fairly major deficit." While deficits are common in corporations, this was a crown corporation, where deficits were illegal. After about six months at the college, Paul led a major reorganization, during which he became committed to "openness" in both his words and actions, and did a lot of "walking around." He also developed a 360-degree feedback process to evaluate his leadership. He has since written a self-instructional module for a university, which enables organizational leaders to do similar self-evaluations. The management practice of 360 feedback became widespread and continued after he left the college.

Half of the college's managers understood how to involve people, and believed in the new leader's style, which differed radically from his predecessor's "top down administration." However, the others were "autocratic" managers, "faking allegiance to the new administration." Daily work experiences hadn't changed a bit for their front line staff. Once aware of the situation, Paul launched leadership and other training initiatives, and unmasked managers who eschewed employee participation. "This democratic administration is no way to run anything," they said. "You can't involve caretakers and teachers in the budget process." Paul now believes "selection is 90% of it" and there is little point in trying to retrain anyone uncomfortable with the change. The fact is you may need to retire or replace some people.

In creating the new government ministry, Paul developed selection criteria to help find managers who would support participation and involvement of employees. Once all of the managers were in place, everyone, including Paul participated in a leadership development program. They met on the first Friday of each month to consider various aspects of leadership.

"This is all about cultural transformation. We tried to select for core values and ongoing development. This wasn't something that was going to have a beginning and an end."

"There's got to be an ongoing leadership development program. I believe very strongly that the best thing a leader can do is to participate in the program, not just chair it. The transformational leader ran our program and set up "*Lead Net*". We now had an organization where people were actually online, not only talking about how to meet budget targets, but also discussing the works of Peter Senge, Stephen Covey and Margaret Wheatley."

Role Modeling

"Having modeled 360 behavior, I eventually decided to talk less about core values and employability. The less you talk about involvement and the more you do it, the better off you are. Jacking expectations up will only disappoint those who want to believe it. Even in the healthiest of organizations, it will take a year or so before the behaviors and values line up. If you're lucky it will take a year. The experiment at the ministry was still going on when I left."

"When things were really ticking, we regularly shared information on tactics and behaviors, and by this time, I was already into my first 360 processes. We also had the ministry completely wired and people got news and notes from me online at least once a week." For example, many of Paul's notes updated people on the minister's activities and explained the implications. "Sometimes I would give them a bit of an advance, but I had to be careful about pre-empting a minister's announcement. Still, we were very timely."

Brown bag lunches, hosted by Paul, were open to any ministry employee who wished to sign up. Each employee was allowed to attend one meeting. "We talked about anything (except personnel) around the quality of work life, as long as they weren't going to dump on anybody, that was the only ground rule." This kind of "open communication" continued after Paul left the ministry, as did the practice of 360-degree feedback. In modeling 360-degree feedback, Paul had legitimized the change and demonstrated it was acceptable feedback.

Paul believes there are daily rewards for being an open, and more strategic, administrator. "This isn't all about participatory leadership. "It's also about thinking and acting strategically, not just worrying about quarter over quarter, but looking well beyond. There is a huge amount of quarter over quarter culture in this country that is destroying public and private activities."

Still, Paul maintained, "I am not perfect, this stuff is never done perfectly and there will be hiccups. For example, selecting for core values can be tricky, and sometimes you just have to play with the cards you are dealt." He said that many managers had "grown up" in government, which is "top-down city," and had never before worked collaboratively. However, he had observed some "wonderful examples" of those who had transformed into change champions, with help from others, such as the designated change leader.

Leading by Learning

"There were hiccups. There were people who just couldn't do it. But we also had a far more proactive approach around making sure that everybody had support through the leadership development process. Each of us had mentors, we had buddies, and we set up an intricate array of learning supports. The leadership was leading by learning, showing it off, so it was obvious to employees that professional development had become embedded into the organization."

Good news/Bad news

"That's the good news. The bad news is I left after two and half years, about two months after the new government came in. The DM who replaced me was old style, thought the leadership program was worthless, and cancelled it immediately." Since cultural transformation takes time, especially with five sub-cultures, Paul thinks the ministry was still about two years away from reaching a point where it wouldn't matter who came in.

About 70 per cent of the employees had been with the ministry for a long time. "There is always 20 per cent who will resist change. You never try to get resisters. What you try to do is deal with the 20 per cent who are excited about the change, and then that massive middle that you are trying to convert. These are the people who actually want to believe that they can do things more effectively. But there is also this big wash of skepticism, because they have seen rhetoric come and go. They know the average tenure of a DM is relatively short."

"This is the problem of CEOs in Canadian government. It's probably true in the U.S. as well, but is well documented in Canada. The average tenure of a governmental CEO or DM is about 18 months. For example, after

two years, I was the senior DM of education in the country. So, deep, lasting, sustainable culture change in government is inhibited. The private sector would never, ever change CEOs every 18 months; the investment in chaos is obvious. The cost is huge."

The worst part of it reverting to the "old style" of ministry management was that every indicator Paul's team had chosen to measure (morale, the 360 results, non-defensiveness, efficiency, cost effectiveness) showed they were "just sailing along." Upon the arrival of the new CEO, everyone watched for the signal, to see which direction he would take. "To his credit, he did it real quick," said Paul. "Any deputy can carry on with the policy and improvement work. But organizational change is another story. We came so close to actually developing at least one government entity in Canada that was truly a learning organization. We were one or two years away from something very special."

Shortly after the new minister's arrival, he was discussing change with Paul in similar terms to those Paul used in workshops. For instance, improvement is the enemy of change. Paul explained, "Sometimes it's really a paradigm shift you are looking for. You have to totally re-engineer what you are doing. You can't just improve things. You have to be fundamental and systemic. The new minister was saying those kinds of things, too. He said he would like to join our team and I gave him an open invitation to our leadership sessions, which we normally teleconferenced and videotaped for managers who could not attend in person."

The minister accepted the invitation, and agreed to talk about leadership and change. During the session, he discussed the notion that, since people aren't compelled to understand the importance of change unless they think there is a crisis, sometimes you have to invent a crisis, or label current events as a crisis. He also indicated that management was probably

going to have to do something most of them would find distasteful. Paul's team had believed the minister was simply discussing change in hypothetical terms. They were mistaken. Shortly afterwards, the province was thrust into a "crisis" in the education system that has yet to be resolved.

Appendix E

Leadership Case Narrative #3

Change expert questions unrealistic expectations

Evolving expectations of the *new economy* have reshaped perspectives on business in the new millennium. Massive organizational changes brought into place during the past decade, through downsizing, re-engineering and renewal may have been achieved at considerable cost and with questionable results. "I have struggled with a lot of these changes myself," mused Edward, Vice President of a consulting firm. As a change management practitioner in his early forties, Edward has done plenty of re-engineering work for major clients.

The Environment

Currently, Edward is in the midst of huge upheaval in his own organization, created a year ago when two organizations, each with over 4,000 employees, merged. "I think people thought the merger would be a relatively straightforward exercise, but it has proven very difficult. In fact, I'm not sure the organization will survive," he said. One of the companies, a 15-year-old re-engineering firm with 4,500 people, had a visionary and charismatic leader. The other was a conglomerate of small technology firms, many of which serve *dot-com* companies.

"On the face of it, our company doesn't seem that bad of a mix," said Edward. But the merger has not gone well, despite all attempts to manage it in classical change management ways. "We have divisional leaders saying change is hard to do. We have local managers who are quite committed to the business. Still, the whole thing is coming unglued. Sometimes I think it's

just not going to work." When people claim they want the merger to work, Edward challenges them to "find a way." In exploring and analyzing the root causes of the merger's issues, he often wonders what had kept each company together in the first place and if anyone had thought to examine whether the two cultures could ever co-exist.

"Today the notion of cultural audits *"before"* you do mergers is becoming more commonplace," observed Edward "In our practice, we help other people figure out change through fairly standard change management techniques. We will do cultural audits, but typically our approach is to help organizations manage change by focusing on communications, in order to communicate change better. I haven't found anything else that works very well."

"Typically, I think mergers and acquisitions have been based on spreadsheets and evaluation of assets. There was little thought given to cultures and how organizations might fit. In our case, had we done a cultural audit, we would have discovered that there weren't two organizations at all. There were probably 50." The numerous small companies acquired by the conglomerate had remained separate and never integrated.

Time

Edward believes lack of time is another factor that has made his firm's merger so difficult. "If we weren't living in a publicly-traded dot-com-frenzied world, I think these changes would evolve as most changes do — naturally, over the course of several years. But, we were not given the luxury of time. We were told to bring the two organizations together and make it work in six months. You can't change 10,000 people in six months."

"We've deluded ourselves into thinking we can pull this off in six months by using our sophisticated management techniques and becoming really good communicators. When it doesn't happen, we'll say the change effort failed and ask ourselves why. Then we'll get into this cycle of analysis. The reality is, I'm coming to the conclusion that some of this just takes time, more time than anybody would like."

"Fundamentally, if you believe Senge (as I do) when he says change is a very personal thing, you have to consider how much change an individual can undertake on a personal level in a three- or six-month period. How much psychic or mental energy does one have to devote? For example, I'm 41 years old with four children. How much change can I accommodate in a six-month period? I don't know the answer. But if you extend this thinking, you realize that all change happens on a personal basis, on a personal level."

Many organizational change efforts "*push the envelope*" for people and ask them to accommodate more change than they can possibly handle. "All of the change management techniques in the world are not going to help, because people have to make the changes at their own pace anyway. As a change leader, what you can do is examine what it will take to prepare people to go through rapid change, and maybe optimize the situation as best you can. I think people are using this as a form of coping."

As people have tried adjusting to the rate of change in their lives, Edward has noticed a "blurring of work and recreational life." He has observed that some people are adapting while others are not. "In the real big scope of world change, I have often heard it said that seeing more psychological misfits and more psychological illness in society is part and parcel of the societal upheaval of rapid change. You can't make it safe for everyone, so you deal with the ones you can."

"In our society, a growing number of people, incapable of dealing with change, are just cast out." Edward has also noticed an increasing number of financially secure people in their 40s and 50s are choosing early retirement to escape high stress jobs. Many organizations, believing that employees are incapable of deciding for themselves within the allowed timeframe, will make the decision for them.

Cycle of Change

"There seems to be a wicked cycle. If there's a big change coming, we prepare for it, using all the change management techniques we know. We comb through everything available to see what we can use. Believe me, I comb a lot. I'm always looking for ways to make change happen better, more functionally, in a way that appeals to everyone."

"We embark on the change with the very best of intentions. Then people get a little strange and start to resist. We dig our heels in and tell them to get with the program, or we're going to have to figure things out. Inevitably, some people go and we feel the change didn't work. We were supposed to be able to save those people, and be one big happy family. We beat ourselves up for our ineffective change efforts. I really wonder whether this whole cycle in which we set ourselves up is just wrong."

"In a strange way, it seems to me political parties actually have it right. In every election, there is a bunch of people who are totally with the party. You could run Satan and they would vote for you. There is also a bunch sitting on the fence, and a bunch that would never vote for your party, even if you ran God. What the smart political strategists do is focus on converting as many people in the middle as possible, not the people who won't ever vote for the party."

Edward sees organizations as types of organisms that work in somewhat mysterious ways. "All our attempts to quantify how organizations work probably reflect the kind of society we live in. We try to quantify everything. In some ways, organizations can't be quantified, because they are like organisms and have symbiotic relationships that exist within them. Sometimes you wonder why organizations exist at all, or what they are there for. But they seem to do something to make them work better. As with most organisms, we can't always fully understand or appreciate the points of leverage within organizations that make them work better or change."

Edward's Change Model

Edward's change model includes a "cultural survey instrument" he has developed over the years to measure several dimensions of change. Edward admits that, while very passionate about leadership and change, he's also totally mystified by it. "It's hard to even articulate how mystified I am about it. We want it all so desperately to work, and so often it fails, or it's perceived to fail. I wonder if the expectations we set, as managers, are just wildly out of line with reality?"

"I think we incorrectly focus a lot of our change management efforts on the people who just don't want to change, can't change, or can't cope with any more change. We forget about all the people who have justifiable, legitimate concerns about direction and what's happening. But because they're less vocal, they slip through the cracks, just drift off, and we lose them. We need to focus our efforts more on those in the middle. Since we can't save everybody, we use a coping strategy of working on the most influential or most easily influenced. That's why some organizations are trying to determine who they need to work on (those who can bring value as they

move forward) versus the people they can afford to let slip through the cracks or even consciously choose not to bring along."

Edward suggests that his *baby boom* generation of managers is fairly altruistic and may have "unholy expectations" about how change is supposed to work. "We like to think people will follow us anywhere, if we're sufficiently keen, persuasive and inspiring leaders. If we make it our personal mission or responsibility, everybody will get it. When that doesn't happen, we feel we've failed, or the change effort has failed."

"I have come to believe that some people won't ever get it and are happier not being part of the change, especially if allowed to come to that conclusion themselves. As a generation, we didn't respond very well to command and control, and we like to think there are better ways. But eventually you have to get on with business. People have to decide whether they can get with the change or not. While it may sound harsh, practically speaking, I think that's what change comes down to."

Making Change Work

In a desperate search for ways to make change work, people will often resort to the "*tried and true*", noted Edward. "While there really isn't a lot of literature out there that says how to do it well, there is plenty of literature about how badly it can go. I don't find a lot of really helpful, practical advice for management people who are faced with the task of organizational change. So, you end up going back to what you know works and, when it doesn't, you resort to more drastic measures."

Edward recalled a company that had handled one individual badly when letting some people go. Nine months later, the person still hadn't figured out why, hadn't moved on, and was stuck in a personal dilemma. The

company handled rather well the personal situations of four others let go at the same time. "These people have all moved on and are happy to be out of the organization."

"Drilling deeper, how much post-employment responsibility does an organization have for each individual? Suppose someone did something awful and ended up sick and permanently disabled (psychologically not physically). Does the company let them go? Do they have responsibility? Some courts may soon tell us about that. Over time, I think companies will be held more responsible, but not totally responsible."

"Philosophically, I believe that companies have a responsibility for people. I also believe that what goes on in your life is, to a large extent, your own personal responsibility. You have to take some responsibility for your actions and their outcomes. Eventually, I think the courts will intercede, and over the next 10 to 15 years a company's responsibilities and an employee's rights will be much the same, regardless of the size of the company."

Edward considered the example of a newly merged brokerage firm, whose new chair proudly announced the merger was a good deal, because it would enable the company to eliminate 5,000 jobs. Apparently, the merger was based on a financial equation, with no thought to society, employees or customers. If you believe organizations are organic, then their structures and processes, by nature, need to be more relationship-driven. Taking that view, financially driven equations are only partial assessments of a company's total value. The total value of knowledge-based organizations will increasingly include the people. If half of those people leave, value walks out the door.

Feedback within his own firm has indicated to Edward that some people think the company isn't working hard enough at the change itself. While working at other things, the company is not spending enough time and

energy on the change process. The leaders are not communicating enough, not being visionary enough. "We're going to lose some people," he admits. "I recommend that we make sure they're the right people to lose, and that we focus on keeping the right ones. But I don't see that happening. People say they're too busy to do that. It's the whole nature of their world. It's all about being really busy, and they don't want to break the cycle at all."

Barriers to Change

Some will get it, others won't, Edward insists. "The funny thing is, how this recommendation is received depends on what stage of the change process you're in. At the outset, you're full of that idealistic, altruistic attitude and not very receptive. As you proceed more deeply into the change process and start to encounter resistance, you become more receptive. Half way into the change, your eyes start to open and you realize the change is a lot messier and harder than you wanted it to be. For instance, you really like Fred in accounting. He's a miserable old coot who's been here 25 years. Fred happens to be one of the guys at the pointy end of the stick who's not going to get it, never will, doesn't want to, and you know if you leave him there he'll influence other people to not get it. Fred is an impediment to your efforts to evolve the organization. It's a terrible thing."

Typically management consultants change people by changing the metrics used to measure and guide them in their job, said Edward. "For example, I told someone yesterday that we were changing the metrics for a particular part of the organization on January 1. But we all know that changing the metrics is the easy part. The behavior will continue for at least six to nine months beyond the change in the metrics. So, again we're stuck with the issue of the time it takes to change. You have to go through at least one evaluation cycle before you can see you're not aligning yourself with your

new metrics. You have to go through at least another one to see if you're on track. That could be six months, or even two years in some organizations."

"Although, I have seen many situations where managers, sponsors in particular, have taken action as soon as they saw certain signals, they didn't wait for the evaluation to come back. Sometimes they invited people to take their own action, and said: 'if you don't like the changes going on, why don't you come and see me. We'll help you find a new role within the organization or leave outright.' A constant part of the change cycle is aligning people. They're either on your side or not. It's not like a purge, where you lead people out "en masse". It's very selective, and follows the review cycles from years, down to months, down to weeks."

Edward talked about a company that had changed its annual leadership review to a quarterly one, for succession purposes, using simpler paperwork and discussions. "They constantly call on the management team, but only take action on people obviously out of step. As part of its annual succession plan, (___) set a goal to identify at least ten per cent of the management team who were not performing and not changing at the required pace needed by the organization. Those people were selected for departure."

"While this process may sound cold and calculating, it may be more humane than letting people thrash around, feeling very uncomfortable in the changing organization. Sometimes, it's more about "*fit*" than performance. The person may have been performing in their role, the numbers may have been there, but they just didn't "*fit*" the new management culture. Having said that, "*fit*" can also be very subjective. If you keep changing the requirements for "*fit*", you'll end up with a constant churn of senior management."

Successful Change

Another factor that may contribute to successful change is having people *under the gun*, so they have to change or everybody perishes, said Edward. "I think it somehow leads to an environment where success is more likely." Edward said he wished for a way to quantify success achieved while *under the gun*. As an example, Edward compared General Electric and Xerox. "What did Jack Welch do differently from the person who came into Xerox, attempted to make some changes, failed, and is now gone."

"The fact is, while GE may not have performed really well, it was so big it would have continued under any circumstances. By all accounts, over the last decade, Jack Welch has done monumental things with GE. He has turned the company around and created a substantially different culture. By all accounts, GE is better off. But objectively I think it would be unfair to say that the company is better off for Jack Welch having been there."

"Several organizations have dramatically increased their profitability in hundreds of percents like GE. The opportunity or seeds for growth were already planted at GE and Jack just made it happen. Sustainability was not a problem. Look at other organizations and you'll see that the underlying seeds of destruction were already sown. While some poor person may have done all the right things, none of them worked because the premise for success wasn't there in the first place." Edward said he occasionally recommends "lifejackets" for clients starting jobs in companies that, in his view, will not last ten years.

"Today, management talent is being treated more like athletic talent. We bring in very talented executives and give them 36 months to get the ship going in the right direction and increase profitability. There's a culture, a North American notion (I don't know about Europe) that executives are very short term, like football coaches. If you don't win you're out, and you only have a

certain amount of time to win. To some extent I think this time equation, where you have a year or preferably a quarter, is a built-in flaw of this capitalist system. The expectation that you can do something with 10,000 people in a quarter is just unrealistic."

"The ways we expect organizations to be run today, both in the form of legislation and current business practice, also puts constraints on organizational change. To use a war analogy, everything else stopped while warriors got in line with organizations producing goods for the war. Organizations were allowed to break all the rules. You can't do that today."

Edward thought about Chrysler losing roughly half a billion dollars and having its stock drop 76 cents that quarter, and about Nortel meeting its profitability numbers but missing its top line by 3 per cent. When a company loses \$66 billion in valuation over 48 hours, you know something is out of whack.

"You have to look at the greater view of what organizations are worth in our society today and how we value that. Optical cabling and everything Nortel does is not going away. The TV stock analysts were talking about it all day. One said he couldn't understand why people were selling off tech stocks like Nortel and Cisco, and then going across the road to buy companies like BCE, who rely on all those tech products in order to make money. This isn't making sense, especially with large swings in valuation. So, somehow we have different expectations, and the market has different expectations of the technology and dot-com players than of Chrysler. Huge pressures are put on these organizations."

"Well-organized companies with management infrastructures and job descriptions know what they're supposed to do. The infrastructure manages their performance and what they do, which may make it easier to change the

organization. They know what they're changing from. Smaller, disorganized companies are so chaotic that making changes is like nailing jelly to a wall. If you asked anyone to describe their job and the six critical activities that make a difference, they probably couldn't. If you asked their boss, you could see if there was any alignment."

"I think the whole change thing becomes easier in organizations that have both the *from* and *to* ends of the change spectrum pretty much nailed. Even if you're unclear about where you're headed, knowing where you are tells you what you're evolving *from*. In our merger, both the *from* and *to* ends are not all that clear and so we will muddle, which is part of the problem."

"I think the vision issue is very important, even if it's not an agreed upon vision. The whole notion of the CEO or somebody saying they know where we're going may not be totally sound, because they might lack details or be very limited in their views. You need the next level of players to look at the organization's functional parts. Since they're clear on what needs to happen, you'll get to the generic vision. Alignment is important, but it's not necessarily about having a singular clear vision," Edward concluded.

APPENDIX F

The Composite Case: Leader unites clashing cultures to build global high-tech organization

The Contextual Situation

Amid the whirlwind of high-tech start-ups and spin-offs that marked the 1990s and new millennium, the *new economy* became the powerhouse for globalization. With the astonishing pace of technological advances, changes to the old order occurred with unprecedented speed and force. Many big companies were either wiped out or completely reconfigured. Compelled to reconsider and reshape their organizations, executive leaders sought new business models and relationships that would enable their companies to survive and prosper in the wired world.

The company

One long-established and conservative multinational corporation, based in the United States, had the foresight to create the conditions that enabled two of its divisions to transform from a piece of the old blue-chip into a high-tech organization in its own right. Previously, as part of its venerable and widely held parent, these divisions had been content to dominate the market in current generation products.

Now, threatened with extinction, these divisions needed to take a different tack. To do so, its leaders had to undertake a fast turnaround in their thinking. Recognizing the potential for explosive growth through developments in Internet-based technology, the leaders of these divisions opted for inspiring innovation instead of maintaining the status quo. In

evolving their vision and strategy, they aggressively pursued new opportunities and new ways of working, still owned by the parent yet free to operate as a separate company.

Executive leader's role

Ann is Divisional Executive Vice President (EVP) of the corporation, and Chief Executive Officer (CEO) of the newly formed organization (hereinafter called the *company*). Ann works together with another 30 senior officers on the Executive Committee to set the corporation's overall strategy and direction. The committee is responsible for making difficult decisions that may include divesting under-performing assets or divisions and acquiring new ones. Ann also participates on the strategic vision team that meets twice a year to consider the prospects for the high-tech industry and the corporation over the next five to 25 years. The corporation employs a total of 138,000 people worldwide.

While the corporation's many divisions work in partnership (and sometimes in competition), Ann runs her division of 3,800 employees like an independent company. With operations in France, Canada, Australia and the United States, Ann's company develops and markets educational software products, known as distributed learning systems, and services globally. Responsible for the company's strategic direction and overall success, Ann leads a team of seven other executives, responsible for seven functional areas, including Manufacturing, Product Research and Development, Business Development, Sales and Marketing, Logistics, Finance and General Administration.

Ann holds a systemic view of the organization, and believes she is effective because she has an ability to maintain a balance between thinking and doing:

"While I'm fairly action-oriented, I prefer to function on the basis of thorough analysis, frameworks, and teams that actually deliver these things. In a sense, it's difficult to speak of the change experience separately from the work I do, since it really describes my life. What drives me most is the idea of building an organization that is both high performing and fulfilling for the human beings who work here."

The change initiative

Ann's company was created in 1999 when three operations were combined. As CEO accountable for the new company, Ann's mandate included the following major change initiatives and ambitious goals:

- **Merge three organizations.** Under Ann's leadership, the executive team was responsible for merging an existing division with two other companies acquired by the corporation some time ago for their existing products and product development capabilities. Each of the three was an independent organization with a distinct culture and mission.
- **Create a new organization.** When, combined, the three organizations had competing visions and clashing cultures. Evolving a single culture, with teams capable of quickly developing and globally marketing a new set of products and services, was an undertaking of major proportions.
- **Develop talent and build capability.** People in the new organization had to learn to work together fast. In order to meet the market's expectations and keep up with the rapid pace of innovation, especially in Internet platforms and applications, Ann's company needed the talent and capability to develop, with quality and speed, new generations of products. The company and its competitors were under pressure to introduce new products about every six months.
- **Hit high sales targets.** Ann and her new team were also challenged to achieve sales of \$280 million U.S. within 24 months of the company's inception.

Examining the elements that were combined to create the new company, Ann said, "the acquired businesses had been competing successfully with products designed to operate on mainframe and local or wide area nets. New business opportunities however, coincided with the growth of the Internet and development of related software and capacity. These conditions create some exciting possibilities for the new company, in leveraging the distribution of its learning services over the Internet.

One of the organizations involved in the merger was a former competitor. It had developed a new generation of desktop management software that quickly achieved a dominant market position, in second place behind Ann's corporation. After acquiring this competitor in the late 1980s, the corporation continued running it as an independent operation. Even after the merger, the old competitive rivalry continued among the employees. The new employees came from a young, entrepreneurial, customer-focused and innovative organization. Existing employees were from an older, staid organization, focused on maintaining the dominant market position with current generation products and services. No one had communicated with the employees and no one had the time to understand why these highly successful employees continued to work as if they were still in the former competing organizations. More importantly, no one had given the employees sufficient reason for changing their behavior.

Building one culture and sustaining momentum

Once the formation of the new company was announced, Ann's first challenge was to take a leadership stance that demonstrated to everyone she was acting *above* any politics or bias for one group over the other. So, on the first day, Ann made a visible and symbolic gesture to effectively show her support for the entire group. She walked in and got a company badge. "With this gesture, I declared that it's nice to come from the corporation, but I'm

really one of you—I'm not from outside—and we're in this together." Right from the outset, it was "too hairy" a time for Ann to conduct any highly structured team building exercises:

"I was thinking more about individuals, and didn't necessarily consider large group activities to facilitate the large-scale transition or transformation. In retrospect, we probably could have done much better at realizing the personal and cultural impacts, and helping employees make the necessary changes. The merger may have been accomplished in a somewhat haphazard manner, rather than by well-managed change. Although by deliberately not favoring one organizational style and culture over the other I knew that some people would not feel comfortable. I had hoped this would reduce the amount of time needed to build a new organizational culture. One of the negative impacts of this haphazard approach was the unnecessary loss of some good talented people. I think we knew some people were going to leave for reasons other than attrition."

The merger gave some people new responsibilities that were unavailable before, and excluded others. Ann and her colleagues discovered that people had different backgrounds and used different language and terminology, but shared similar values and systems approaches. In assembling her leadership team, Ann was careful to promote and hire people who fit the following values and behaviors:

- Honesty, integrity, respect – do what is right
- Challenge for performance
- Encourage the freedom to disagree
- Recognize and reward performance
- Take action, show initiative and learn from mistakes
- Build mutually supportive teams with decisive leadership
- Commit to continuously learn and share knowledge
- Communicate candidly and in a direct manner
- Have self-confidence to operate without boundaries
- Make vision and plans clear to stakeholders
- Be customer focused

Without this values fit, Ann believed people would have been out of step. Before long, they would have felt uncomfortable, and would have been unable to perform effectively on the new team.

The learning processes

To monitor early progress in unifying the culture, Ann brought people together for full-day team meetings to discuss evolving values. The meetings produced a high level of anxiety because, as the group declared certain values of the new organization, some managers realized they were unaccustomed to living up to those particular values. Although this was difficult work, it has proven extremely important. Ann believes the company's values orientation has been most helpful in developing consistent behavior and a unified culture:

"In communicating these concepts and ideas, the frameworks and models we used really helped people process the decisions we made along the way. This discipline around trying to match our actions and attitudes to our values has guided people in their critical thinking and reflection about the changes we've had to make."

The company has continued monitoring its cultural progress. Quarterly web-based surveys help gauge how well managers and employees understand the company's core values of stewardship, innovation and partnership, and how consistently people are living up to those values.

Initially, Ann spent "a considerable amount of time talking about what the company ought to be and facilitating the concepts. While there was some push back in terms of the language she had introduced to the organization external changes in technology and in the marketplace soon began to ease her task:

"As these external changes continued to hit and erode the success of our existing business lines, people began realizing that

some of the changes they at first questioned, in fact, had a business rationale. In hindsight, I would have woven my *story* better and differently, by creating with them the story of what we were becoming together."

To succeed in her role of melding three cultures to create a global leader in the Internet technology sector, it was essential for Ann to be in the line (operational management) and completely committed to the change. "I mean heart and soul commitment, through thick and thin," she stressed. Sponsors of change need to be prepared to fly air cover, and be coaches and mentors to project teams. As ambassadors for the change, sponsors need to focus both within the team and externally.

Leaders must be catalysts for positive organizational change, and develop the capability of individuals, particularly those leading teams responsible for initiatives to improve organizational performance. Ann and her senior team focussed most of their attention on the people appointed to leadership roles. They coached and worked with the new leaders to help them overcome their fears and loss of the old organization's ways and identity. Eventually, they came to accept the new ways, by building hope and confidence that the future would be full of potential for success and personal reward. In times of stressful change, Ann believes there is never enough coaching and communication:

"Everything I do should contribute to helping people be the best they can be. My role is to smash the barriers that prevent people from realizing their potential. I accomplish this at a very tactical level, day in, day out, meeting after meeting, discussion after discussion, phone call after phone call. If people perform better, the organization will perform better."

To help smash any barriers to information, such as hoarding or sabotage, Ann formed a working coalition with the executive team and held the team accountable for taking immediate action on offenders. The team

introduced simple tools through distributed learning sessions to help accelerate the rate of adaptation and change. New structures and practices enabled information to flow more easily among work groups and teams, and rewarded people for sharing knowledge and working more cooperatively.

Building capacity through new learning capabilities

Employees used the very technology that was being developed for the company's customers to share knowledge, communicate and learn new skills. This technology is known as distributed learning systems enables users to access information, learn new skills and participate in live learning programs through the internet. Employees used the distributed learning systems to participate in information-sharing network skill development programs and interactive workshops and to focus on performance outcomes. By painting their own vision of the future for distributed learning, employees gained confidence in their skills and the future of the new company. The performance focus also leveraged a healthy rather than destructive form of competition between and among working teams.

Geography and language further complicated the situation. With the merger, teams from offices in France, Canada, and the United States had to work together for the first time, in order to develop new products. The corporation's organizational development team facilitated many meetings and work group sessions to support the newly formed product development teams. "Amazingly, we transformed into a global company quickly," Ann said.

Employees readily acquired new skills such as dialogue, negotiation, analytical systems thinking and conceptual model building. To communicate and manage business changes, they developed the capability of working with the same distributed technologies they were developing for customers creating knowledge networks and communities of expertise to share new

learning rapidly. In one case, a systems engineer in California needed to increase his project team's capacity to create a new application system. He added two groups of systems experts who were located in Sydney and Toronto. To facilitate knowledge sharing and innovative learning, they set up bi-weekly learning sessions and took turns leading the sessions.

The organizations involved in the merger were aligned in values and systems approaches to managing project work and any change requirements. Also, the employees were well educated, and often recognized as leaders in their field. Once they overcame their natural defensiveness towards their former competitors and stopped resisting, they started sharing information. While the process took root, a form of competitive cooperation eventually took root, and within 18 months cooperative behaviours were visibly emerging.

Once the culture started to solidify and common work practices prevailed, the company refocused people on performance. Employees received rewards and incentives through new variable pay and recognition programs, since Ann believes that what gets rewarded gets done. "Our theme was how to be better at getting better by learning from each other."

In building its capabilities, the company also looked externally for input to establish benchmarks and performance standards for executing and improving key processes, including programming and testing methods. The teams in France, Australia and the United States created shared networks to learn from each other, as they improved a process or test. These diffuse informal networks, which used the same technology they were developing for customers, spurred innovation. As a result, the teams were soon developing and marketing new applications for the technology almost simultaneously, Ann observed:

"As a senior management team, we had challenged any passive resistance to our new practices by insisting that communication be as

informal, transparent, candid, open-minded and fact-based as possible. We challenged people to gather their facts and develop their analysis to present constructive ideas or objections. To prove we meant it, we modeled the process ourselves. We also endorsed the approach in a learning program that reinforced the notion of doing it right, with respect and integrity."

In performing her leadership role, Ann thinks in the future and acts in the present. "I spend 25 per cent of my time talking about where we are, where we want to be, by when." Ann and her team articulated the new company's strategy in practical steps or actions to help people make sense of their work, and align their thinking and desires with the organization's vision. In seeking alignment, they focussed less on purpose and vision and more on asking, 'What have you done for me lately?'

Rather than, 'We need to get the stock price up,' Ann would explain, 'We need to get the stock price up and, by doing so, we will be providing more investment funds to your businesses'. Employees may accept the first statement, but will commit wholeheartedly to the second one, because it explains how the process works and what's in it for them. With this approach, people gain a better understanding of the context of their work and how it aligns with the broader business goals. It provides a clearer line of sight and aligns their work with others to improve the organization's overall performance.

In attempting to transform any business, leaders face a common challenge in addressing the *WIIFM factor* (*What's in it for me?*). "You have to work one-on-one to influence and persuade your team members and other informal leaders," said Ann. "Through candid dialogue, you try to get them to reflect, and see for themselves the benefits of changing and the consequences of not changing."

Once people understand that the benefits of changing outweigh the benefits of not changing, they tend to become more supportive and committed. In the case Ann's company, the benefits of not changing were shortsighted and focused on winning or losing internal battles for position and power. Ann claimed she had little choice but to remove anyone who chose to stay this course. Removing such people from their roles sent a clear message that resistance was unacceptable.

Uncovering the common will by examining the assumptions

Ann described the change-related work in which she has been involved as "changing the way the organization sees it, and sees itself in the marketplace. It's about redefining the fundamental assumptions about what it means to be an organization in order to be successful. To help validate some of those assumptions, Ann's company has a corporate role that is responsible for strategic capabilities. The person in that role analyzes the marketplace and builds the bridges between what the company intends to do in the marketplace, as an organization, and its ability to actually realize those things internally, given the capabilities of individuals and teams within the organization.

In essence, the strategic capability team is responsible for individual and organizational capability. Their job is to help the company understand the strengths, weaknesses, opportunities and threats that affect its performance. They focus on improving the effectiveness of all the systems, practices and programs that support the company's human capital. An organization's intangible assets consist of human, structural and customer capital. Human capital is individual capability. Structural capital is organizational capability. Customer capital is the strategic positioning taken. Ann's senior management team has the inter-cultural mandate to create changes that will make the intangible assets all add up and perform:

"In our case, we have stated that we value sharing knowledge, continuously learning from each other through our work and education. We have encouraged the development of new capabilities such as personal effectiveness in dialogue, analytical systems thinking, model building and leadership. We have also aligned our recruitment, learning, and reward systems to support these capabilities. "

The biggest change for Ann personally has been learning to think globally. Early in the process, she realized that she could not expect things to get done without talking to people in the company's various locations around the world. She had to treat them like the intelligent people they are and get their input. When setting out to make changes, it is important to talk to the people who will be affected, and get them involved. "It's unrealistic to expect people to go ahead and do something, simply because you've mentioned it in a note, memo or speech," said Ann:

"A leader needs to be on the ground and in the field, helping to get and incorporate input, because the people out there have better ideas than you do. Establishing and maintaining communication through continuous dialogue is very hard but important and worthwhile work. To help keep the channels open, I distribute a weekly *e-letter* to inform people of my activities and learnings, and ask questions that require immediate feedback or input."

Most recommendations for change in Ann's company now come from the line. Each line group has a team of senior managers working on strategy to sort things out and bring better ideas to the table. The biggest struggle in a large matrix company is uncovering the 'common will' between the lines of business. It is very difficult for one line to get another to make a business change. Said Ann, "often, you have to work up, down and across the lines to get agreement on a change initiative. I spend much of my time influencing my peers and sponsoring change work across our lines of business."

Through her experience in leading the company's change initiatives, Ann has developed stronger leadership skills. To track her progress, she has started keeping a journal, containing daily self-assessments of her leadership practice, performance and lessons. "It helps me reflect, and to generate ideas and opportunities." Ann also solicits annual 360-degree feedback to help assess her leadership performance. The 360 instrument contains questions designed to elicit feedback on her ability to consistently and optimally interpret the company values through her decisions and actions. She expects all the company's leaders to follow her example and seek similar feedback. This exercise has a significant experiential learning effect. The time taken to reflect on the feedback and seek coaching support to interpret the findings and make decisions about improving personal performance is both regenerative and personally rewarding.

"Overall, I think I've achieved a level of maturity that enables me to handle a tremendous number of things that are not going well, or not going exactly the way I want them to go, and still keep many balls in the air. In order to get where I need to go, I've developed a laser-like focus and resistance to distractions. I've learned to better discern the things I can safely set aside for the moment, and those needing my immediate attention. I've also consciously developed my external awareness level. I'm continuously networking, scanning the environment, remaining open to new ideas, listening, observing and reflecting. I try to see beyond the current reality or paradigm and incorporate this knowledge into my behavior as soon as possible."

In conclusion, Ann expressed her admiration for the incredible fortitude and self-belief demonstrated by the corporation's CEO when he insisted that all the other executives were misguided in thinking the company could be more profitable as separate divisions than as a single entity. "He told nine out of 10 of our division managers that they were absolutely wrong. How did he know he was right? How do you achieve a balance between getting feedback from others and staying with your sense of direction? I would say that, at this point in my career, I have yet to master that capability.

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