

The Transformational Leader's Playbook

INTRODUCTION

George Dehne

We all know the challenges to traditional higher education. Consumers of higher education have become more demanding. Suppliers of services have new markets. New sources of education are proliferating and have better access to customers. There are even substitutes for traditional higher education models available to students.

Hardly a week goes by without an article warning colleges and universities of the need for transforming to survive in the quickly changing landscape. In my experience as a consultant to over 400 colleges, transformation at many colleges simply means putting the financial aid office near the admissions office. The need for discussion of how to lead major change initiatives should become the leadership conversation for our times.

What are the principles that future leaders of transformation will need to observe in order to lead change successfully? Last year I asked Robert Reisner, founder and president of Transformation Strategy, Inc., to discuss transformational leadership and I published a series of his monographs in my blog. Mr. Reisner, who taught the course “Leading Transformation” at Georgetown’s McCourt School of Public Policy, is the author of “When a Turnaround Stalls” that was published by the *Harvard Business Review*.

Prior to establishing Transformation Strategy, Mr. Reisner was vice president for technology applications and later vice president for strategic planning for the U.S. Postal Service. More recently, while consulting for IBM, he researched and wrote about transformational change for the Center for The Business of Government and taught at the National Association of Corporate Directors Advanced Seminar. Mr. Reisner is a graduate of Yale University and earned an MBA from Harvard University.

LEADING TRANSFORMATION

Robert A. F. Reisner

There are five questions that inevitably must be faced by any leader who seeks to guide enterprise transformation. Difficult challenges involve the *timing of the launch* of transformation initiatives, the *role of innovation* in defining the future vision, the best way to *formulate successful strategy*, the best way to *manage implementation dynamically*, and to how to institutionalize the process of *sustaining the gains*. No matter how the need to transform presents itself, these five core topics will be at the top of the list of the challenges that future leaders and their boards must face.

In the past two decades, and particularly in places like the Postal Service, newspapers and the telephone companies, technology has played a critical role in forcing the issue. But it’s important to recognize that critical moments of strategic inflection, when transformation becomes an imperative, are being created by many different forces—from technology to new risks to financial crisis. Technology change that has created a global marketplace, transparent enterprise, and

collaborative work styles serves here as a valuable illustration of a broader dynamic. Transformation will not only mean adapting to technology change, it's going to change the way that we have the conversation about the future, even who gets to participate and how they join the discussion.

If the moral of this story were just "adapt to new technology," there would be little news here. Instead, the new dynamics of transformation will be shaped both by new forces of change and by the rising democratic impulse among the stakeholders who have recognized that their interests are at risk. Their voices will increasingly be heard in guiding future transformations and engaging them will be central to the success of the process.

TIMING THE LAUNCH

A common theme among would-be leaders of successful transformations is the need for crisis to spur action. Veterans of managing change initiatives will concede that indeed it is sometimes useful to have a larger compelling event to encourage acceptance of change. However, what is even more important to successful transformation than having the stimulus of crisis-driven urgency is the need to understand context.

The need for transforming both public and private organizations often begins with recognizing that there is a decline coming, a place where the traditional growth path that has sustained the institution turns downward. It's easy to assume every case that requires transformation should be treated as if it were a crisis, or that every transformation requires immediate action. In some cases, immediate action would come none too soon. In others, there may be time to build capabilities, to develop new programs, and to introduce orderly change.

The problem with jumping the gun is that it creates confusion. Especially in an age of activist stakeholder constituencies, the perception of the timing of a coming downturn in finances and the prospects for the future will have a different meaning for different groups. You need to start by understanding where you are or otherwise stakeholder reactions will confound even the best-crafted plan of action.

You should ask a number of basic questions:

- Is there a turning point coming?
- Is change necessary?
- Do you know how much time you have?
- Do the key actors in a transformation understand and support the need for change?

In the end, the leader will still have to decide that the time to launch new initiatives has come; but now, in the age of activist stakeholders and transparent enterprise, you will have to build consensus and bring the crowd along.

CENTERING TRANSFORMATION WITH INNOVATION

The vision of a new future is essential to transformation. In fact, the transformation process is, at its core, the journey from one state that is facing decline to a new and better existence.

Innovation is the process that you will have to rely upon to create a focal point for such a vision of the future. For it to be reliable, your innovation process has to become a proven method where you have confidence that you can invest resources and produce expected results *in a predictable timeframe*.

Yet, even as innovation is being discussed more frequently by the leaders of colleges everywhere and its dynamics are becoming better understood, many leaders have come to recognize that innovation often must be disruptive. Incremental changes that are made to sustain the traditional enterprise and the conventions of the past are not likely to be equal to the scope of the transformation that will be needed. In many organizations, as stakeholders gain greater voice, disruptive innovation will be difficult to manage unless it is crafted through open dialogue that brings all the stakeholders into the conversation.

- Do you have a shared vision of an innovative future?
- Is the innovation process a trusted and reliable one that will produce predictable outcomes in the time that you need them?
- Will the innovation process that you have today produce results that will be equal to the scope of the challenges that you face?
- Is the innovation likely to be broad enough? Is it going to disrupt traditions or be distressful for the stakeholders who will have to support it?

In the modern transparent enterprise, it's unlikely that disruptive innovation can be kept secret and sequestered—more likely it will have to be open and the stakeholders will have to be invited to participate in order to let it proceed at all.

FORMULATING SUCCESSFUL STRATEGY: FINDING THE CREATIVE BALANCE

Only in rare cases will a transformation strategy be created from scratch. What is more common is a situation where there is an ongoing enterprise. In fact, the traditional business model may have been highly successful while transformational change evolves over a period of time.

Often, the strategic initiatives will not be a great surprise. They most likely involve new strategies for reducing costs and increasing revenues. (For colleges, this has often meant going beyond cutting perks and staff. On some occasions, this has included seeking additional revenue through new special programs.) These

strategies are rarely achieved without pain. On the other hand, reducing the cost line through improved productivity, new technology, or through innovation or new revenue sources will hold the promise of a smoother transition to the new state. This much is generally well known.

What will be increasingly important to future transformations will be the need to find a creative balance between the innovators and the traditionalists. With rising activism in the stakeholder constituencies everywhere, the balance point is most likely going to be difficult to calculate without engaging the stakeholders. (Even if the president realizes the ship is sinking, you can't assume that all stakeholders just want to save their positions and maintain status quo.) To learn where everyone is, the most effective approach will be to democratize the enterprise and grant the stakeholders roles in strategy formulation, ones that they will most likely seize for themselves in any case.

- Do you have the key transformation initiatives in your sight?
- Will they be difficult to balance between the traditionalists and the innovators?
- Do you know who the interested stakeholders will be? Are you including them in the process of shaping the future?

Democratize the enterprise to find the creative balance point and secure the transformation strategy on a solid foundation of trust.

MANAGING IMPLEMENTATION DYNAMICALLY

To achieve results, implementation can be as important as the strategy itself. The classic concept of implementation has attracted much management attention in recent years as information technology made it possible to create powerful performance management systems.

Yet implementing a transformation strategy with activist stakeholders will require a dynamic approach that can select the right tools to democratize decision-making and fit them to the situation. In an age of social media, democratic processes are abundant and are multiplying. To the traditional mechanisms of opinion research and town meetings, there are now the added features of social media and collaborative decision tools. These democratic tools will all be demanded by the stakeholders in future years. This is a vision of implementation that is much more bottom up. That there will be tensions between top-down implementation and bottom-up democratic enterprise will be inevitable.

In coming years, there will be a need to balance top-down performance management and metrics with the inherent sloppiness of grassroots democratic processes. Creating dynamic processes that can adjust strategies to changing contexts will be critical to success.

- Does your vision of transformation include mechanisms to implement strategy

and manage for results?

- Will your management of performance stir resistance from the grass roots?
- Do you have dynamic processes and institutions in place to encourage flexible implementation?

Build a dynamic implementation process to balance the forces of top-down performance management and bottom-up democratic impulse. Empower the constituencies so that they are part of the solution, not a source of new problems.

SUSTAINING THE GAIN

One of the most powerful insights of recent years has been the growing understanding that transformation is a continuous process. The dynamics that have eroded traditional business models are likely to work to undermine future transformed models as well.

To anticipate the need for continuous transformation, there will be a need to anticipate future cycles of change and, in the case of democratic processes, to track the way that the very concept of democratic management is changing. In coming times of change, there will be a challenge to the legitimacy of decisions and a need to find sources of shared value. For boards, there will be a need to create structures and processes that can reinforce the values of democratic enterprise.

The governance challenge should not be underestimated. Boards will be slow to come to recognize the need to share power that they have traditionally enjoyed. Yet without opening decision-making, the legitimacy of any democratic process will be challenged.

- Is your governance process ready to sustain continuous and open transformation?
- Seeing the resistance to change should be a warning flag for the future as this demand for transformation may not be the last. Are you ready to create a continuous transformation that positions each cycle of the process for the next?

THE EPILOGUE: FINDING TRUE NORTH

For future leaders, the need to make decisions that require trust from constituencies that have not been active in strategic decisions in the past will become increasingly important. To sustaining the legitimacy of decisions will require that future leaders find the means to become the authentic leaders of values-driven organizations so that leadership can increasingly foster an open, trusted dialogue among stakeholders.

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- Conducting workshops to build a democratic governance architecture that relies on “middle management” and “teaches the teachers”