

## The Challenge of Leadership

*“Everyone wants economic growth...”*

Paul Romer, a professor at Stanford University’s Graduate School of Business, often says that “Everyone wants economic growth, but nobody wants to change.” Thomas Friedman in his book, The World is Flat interviewed entrepreneurs and innovators, who repeatedly made the comment that “just in the last couple of years” they had been able to do things that they never dreamed possible before, while being forced to do things they never dreamed necessary before.

*...efficiency continues to be critical...*

The quest for *efficiency* continues to be critical in this era of the global economy, as organizations have to deliver product at the lowest world cost. The challenge is to find ways that make an organization and its processes even more efficient. Some have chosen to have portions of their work done by others to achieve lower costs. We are all familiar with some products becoming commodities, but now some forms of work are becoming a commodity. Not only have companies gone global, but individuals are going global. Overnight, your doctor may be getting a second opinion on your MRI from another doctor in India or Australia.

*...The best companies outsource to win...*

The media tends to present outsourcing in a negative light. We have been outsourcing for years and it is not necessarily the same as “off-shoring.” Friedman presents the idea that *“The best companies outsource to win, not to shrink. They outsource to innovate faster and more cheaply in order to grow larger, gain market share, and hire more and different specialist---not to save money by firing people.”*<sup>1</sup>

*The market is bigger than ever...*

This is a time of change and choice. It is also a time of opportunity and optimism. The market is bigger than ever before and there are more ways to innovate and deliver product anywhere in the world. This is the time to develop your visions of the future and *accelerate those visions to reality*. A bold vision may require departure from what has made the organization successful in the past. A bold decision may be painful and require restructuring the

*...leaders who also made the necessary decisions...*

organization to gain the greatest benefit from the implementation of the vision.

There are many examples of leaders who had great visions, but failed to adequately **lead** the execution of their implementation and soon fall by the wayside. There are also leaders who made the necessary decisions and succeeded. Larry Bossidy and Ram Charan have especially focused on this in their books, Execution<sup>2</sup> and Confronting Reality<sup>3</sup>.

*...a leader who personally led...*

One well-known example of a leader who personally led the implementation of a bold vision was Jack Welch and the implementation of Six Sigma at GE in the mid-90's. The story has it that he cleared his desk for two years to devote the time necessary remove roadblocks and convince the organization that these changes in its culture were going to happen. He demanded that the best people be at the forefront of its implementation and modified the reward structure to be based on the successful implementation of Six Sigma. The results speak for themselves. The program added millions of dollars to the value of the organization, to the investors, and to their customers.

*Involved leadership is the single most important facet...*

Jack Welch is an example of an **involved leader**. **Involved leadership** is the single most important facet for the successful implementation of a change. With **involved leadership**, there can be clarity of purpose, assurance that the move is in the right direction, and delivering the message that the change is important to the success of the organization. With **involved leadership**, resources can be made available, both budget and people. With **involved leadership** there can be an open dialogue, the release of innovation with the commitment of the people to the success of the change, and the delivery of appropriate recognition.

We cannot forget that **involved leadership** also includes hearing and truly understanding the customer and what they need to be successful. **The work is meaningless if the customer does not benefit from efforts to change.**

*...fills the atmosphere with anxiety...*

We have all experienced the void that occurs when executives issue an edict and then withdraw from the realities of implementing a change. The lack of leadership fills the atmosphere with anxiety; morale drops, confusion, conflict, and stress all begin to rise. People are reluctant to make decisions and trust plummets. Are we sure that we really understand what is to be done? What resources are available? Who will clear the barriers? Who do we go to when we have questions? Do we really have a chance to succeed or are we just being set up to fail again?

*...the inability of organization to focus on...*

In fact, Stephen Covey reported in his book, **The 8<sup>th</sup> Habit**<sup>4</sup>, about the inability of organizations to **focus on** and **execute** their highest priorities. Using what Harris Interactive, who polled 23,000 U.S. residents employed full time within a variety of industries and in key functional areas, calls the xQ (Execution Quotient) for the data. Here are a few of the findings:

- Only 37% said they have a clear understanding of what their organization is trying to achieve and why.
- Only 1 in 5 was enthusiastic about their team's and organization's goals.
- Only 1 in 5 said they have a clear "line of sight" between tasks and their team's and organization's goals.
- Only half were satisfied with the work they have accomplished at the end of a week.
- Only 15% felt they worked in a high-trust environment.
- Only 17% felt their organization fosters open communication that is respectful of differing opinions and that results in new and better ideas.
- Only 10% felt that their organization hold people accountable for results.

- Only 20% fully trusted the organization they work for.
- Only 13% have high-trust, highly cooperative working relationships with other groups or departments.

The complete results of the xQ study are available at [www.avrassociates.com](http://www.avrassociates.com).

...irrelevant.

One can clearly see how great the opportunities and benefits of ***involved leadership*** can be. Inadequate leadership can result in an even more painful word than failure which is the organization becomes ***irrelevant***.

The tools AVR uses are only tools. They are not silver bullets, a panacea, the magic solution, or a substitute for ***involved leadership***. The tools provide structure, data, and direction. ***You provide the vision, the energy, the leadership, and the inspiration for all to work in concert for the success of the organization.***

...first, doing the right projects...

We suggest that there are two ways for a business to succeed in implementing a vision: ***first, doing the right projects<sup>5</sup>, and then second, doing the projects right.*** Most organizations tend to focus on ***doing the projects right*** by implementing effective project management, cross-functional teams, and building in the voice of the customer. The question still remains whether the efforts being spent will provide the biggest return for the long term success of the organization.

How do we make better decisions and most effectively invest dollars? Do we invest in new directions and/or new products? Much like stock market portfolio managers, senior executives who optimize their organization's investments, to define the right strategy, select winning new products or directions, and achieve the ideal balance of project--to win in the long run. Which of the projects makes the best business sense for the organization to do first? ***Involved leadership*** is essential in this effort. This allows us to better understand project

risks and how to prioritize projects. Also like the stock market, analysis *cannot replace judgment* and, of course, an element of luck.

The four goals in portfolio management are:

1. **Maximize the Value** of the project portfolio for given resources expenditures, based on a solid business case, risk assessment, and assessing the probabilities of success.
2. **Balance—the right mix of projects** which looks at the balance of high risk - high reward projects being balanced with low-risk, low-reward project.
3. **Strategic Alignment** so projects are moving the organization in the desired direction.
4. **Right Number of Projects for Available resources** looks at the constraints caused by the lack of personnel and/or appropriate number of people with the right skill sets.

*...each project  
will impact the  
people  
involved.*

Once we understand what are the right projects for the organization to spend its resources on and have established a priority of their being done, we must next focus on how each project will impact the people involved. What skills and knowledge are required to implement each specific project? Will there be resource constraints? What resources are currently available and are the appropriate skills and knowledge available? How do we energize and involve those resources to create the most innovative implementation of the visions?

We have experienced the impact of an organization ignoring the emotional aspects of change. We have seen the resistance to change delay or even defeat its implementation? Change is situational, the new program, the new place, the new processes, etc. can occur quickly while transitions are the psychological process people go through to come to grips with a new situations<sup>6</sup>.

Some transitions are easier than others. An upgrade to a program you are familiar with may be relatively easy to embrace, while other transitions can be very painful. There can be a dramatic change in how work is done, maybe a new enterprise wide program that integrates many processes. You were the expert with the legacy systems and now you are competing with the younger people to learn the new way of doing business. You feel unsure of yourself. You mourn the loss of your power and comfort you once experienced. The reaction is predictable, it is simply being human.

*...a major benefit helping people get through...*

***Involved leadership*** provides a major benefit in helping people get through the transition process as quickly as possible. It will encourage “buy in” and the release of their creativity and productivity. Treat them with respect and provide accurate, honest information will reduce anxiety, and get them moving forward for the benefit of all involved.

*...projects strategically aligned...*

Once we understand the business case for the various projects and have considered the impact on the people, we can proceed to define the work needed to implement the vision, who can best implement it, when we can do it, how much it will cost, etc. The project plan will be shared with the stakeholders and once accepted, proceed with the execution of the plan. ***Involved leadership*** the key in helping keep the projects strategically aligned, assure adequate resources, budget available, and appropriate priority assigned.

*..more informed decisions...*

Another tool that can contribute to making more informed decisions is Six Sigma. The process provides a structure to uncover data to help answer questions. Again Six Sigma requires ***involved leadership*** just as Jack Welch demonstrated in GE successful implementation of Six Sigma at GE. The Six Sigma process focuses on:

1. *Genuine Focus on the Customer*
2. *Data- and Fact-Driven Management*

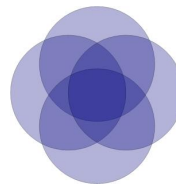
3. *Process Focus, Management, and Improvement*
4. *Proactive Management*
5. *Boundaryless Collaboration*
6. *Drive for Perfection: Tolerance for Failure*

*...visibility and path...*

Project Management will provide the visibility and path to bring the vision to reality. Once again, ***involved leadership*** is essential to the success of the process.

*You can learn more about the tools on [www.avrassociates.com](http://www.avrassociates.com)*

The four intersecting circles of our logo represent the integration of the executives, the customers, managers, and the people working collaboratively and *Accelerating Visions to Reality<sup>sm</sup>*



## Bibliography

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