



LEADING CHANGE FROM THE TOP DOWN: THE IMPORTANCE OF EXECUTIVE SPONSORSHIP

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Brief Bio

David O'Brien is President of WorkChoice Solutions, a trusted provider of leadership and team effectiveness training, coaching and consulting services founded in 2000. His Human Resources and Organizational Development career spans 30 years and includes key leadership and P&L responsibility within a variety of industries including, Manufacturing, Healthcare and Financial Services. In his current role, David is responsible for providing Leadership and Team Effectiveness training, coaching and consulting services to organizations throughout the United States. His clients include such market leaders as Aetna, Advanced Behavioral Health, Allied World, Avery Dennison, Behavioral Health Network, ConnectiCare, CNC Software, Farmington Bank, Kaman Aerospace, KPMG, Mass Mutual, MetLife, Otis Elevator, PeoplesBank, St. Mary's Hospital, The Hartford, Travelers and United Technologies. He also works with many small and emerging market leaders as well as a wide range of non-profit and government clients to help bring about sustainable improvements in organizational effectiveness. His first book, *The Navigator's Handbook, 101 Leadership Lessons for Work & Life* is available on-line and in bookstores nationwide. His second book, *The Navigator's Compass, 101 Steps Toward Leadership Excellence* is also available wherever books are sold. To learn more, please visit www.workchoicesolutions.com.



Leading Change From The Top Down: The Importance of Executive Sponsorship

By

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Major Focus of The Case

Few leaders have been trained how to lead and implement change. This case is about a CEO who learned how to lead change the hard way. His first effort at making a major change in his company failed. When the persistence of the Human Resources Senior Vice President finally got his attention, he took a totally different approach to organizational change and saw much better results. The case provides many valuable lessons on leading organizational change.

Dan's First Approach to Much Needed Change

Noble Insurance (NI) like many US based life insurance providers was beginning to feel the effects of the economic downturn in Q1 2005. For the first time in its proud 42 year history, NI failed to meet revenue goals for the previous year. Despite the fact that earnings had been off for the two previous quarters, Dan Arnold, NI's Chairman and CEO did little to act on this until early 2005. With concern growing among his executive team, Dan decided that it was time to act. With minimal input from his Board or senior team, Dan announced that all departments in the company were to reduce operating expenses by 20% effective immediately. In addition to cost cutting measures, department heads were expected to eliminate any open positions and were told to be prepared for staff reductions in the future.

Within the first three months following Dan's cost cutting mandate, employee morale had sunk to an all time low. Not surprisingly, a decline in productivity followed. Even the most well intentioned and motivated employees were beginning to feel the stress that resulted from the cost savings initiative. People were being asked to do considerably more with less and despite the efforts of some leaders; most people were completely unaware of what was behind this new and painful direction. Ambiguity led to fear which in turn led to a very distorted rumor mill at the company.

By the time Kim Jeng, NI's SVP of HR got involved, several of the top employees had left to join competitors. Citing input and concern from her staff around the country, Kim informed Dan that the pace of change and resulting ambiguity had become a major barrier to organizational success. She went on to say that if NI didn't act soon, the long term viability of the company might be in jeopardy. As a long time, trusted member of Dan's team, her feedback got Dan's attention.

Despite Kim's good work in developing an organizational response strategy, Dan refused to be part of the process. He went on to say that this was a *people issue* and that people issues were best handled by HR. He was also quick to say that due to the demands placed on other executives, that this new change management initiative should be driven by mid level managers under the direction of HR.

The HR Executive's Efforts to Influence Needed Changes

In early Q3 2005 Kim and her team had selected an external resource for helping to implement and manage the change management project. It was determined that all managers would go through a full day of change management training and that all employees would attend a similar ½ day workshop. Following all of the training which took three months to deliver, the change management vendor met with Kim and her team to review progress and to make recommendations for the future. At first glance, the project appeared to be a success. Nearly 75% of all leaders and 82% of employees had attended the training. Dan was pleased with seeing this project come to a close. It was one more initiative to check-off his list. *Things were sure to be better now* he thought.

While the change management training did produce some benefits, it was widely perceived as a *band-aide* approach. Many of the leaders who did attend the training commented in private that they felt isolated from the big picture issues that were driving change in the first place. They also expressed a sense of resentment for Dan and his executive team for their lack of participation and support. Some managers actually went as far as to sabotage employee attendance by not allowing employees to attend the ½ day sessions under the guise that scheduling was too cumbersome and complicated.

As the beginning of 2006 rolled around employee morale at NI had declined to a point where nearly all employees began to have serious doubts about the future of the organization. Despite some communication clarity and consistency from field office middle managers, the rumor mill was in high gear across the organization. Most of the rumor mill exchange focused on *how good* things used to be and *how terrible* things had become at NI. Not surprisingly, Kim and her team of dedicated HR professionals began to notice a huge spike in Employee Relations cases. The daily average of employee sick days per department also spiked to an all time high.

A Proactive and Persistent HR Executive Finally Reaches The CEO

Frustrated and deeply concerned about the future of NI, Kim decided that it was time to get Dan involved in more than an ancillary role. She and her team began to research *best practice* approaches to organizational change and workplace resilience. After nearly two months of research, she was convinced that Dan had to lead the change charge. In her meeting with Dan, Kim explained that she was still proud to be part of NI but that she felt very strongly that Dan needed to play a much more active role in helping the organization to move forward. She went on to say that all of her research pointed to the critical need for the CEO to not only drive the change initiative but also to embrace it as a long term process.

Kim's dedication and impressive record of accomplishments over the previous 18 years at NI helped in getting Dan to consider her recommendations. He admitted to Kim that he also sensed that NI was not the great company that it had been in years past. Almost sheepishly, he went on to say that he felt responsible for allowing NI to get to this point. He too wanted to believe in the future of NI and was now prepared to do his part in getting the organization back on track.

The CEO's New Approach to Leading Change

The first action that Dan took was to assemble his executive team for a long overdue conversation about NI's current state. He was surprised to learn from Kavi Jete, NI's General Counsel that most of the executive team shared in Kim's frustration and concern. Like most organizations their size, they all had been more than a little bit busy and distracted by the day to day demands of their functional areas. After listening to Kavi Jete and other members of his executive team for nearly two hours, Dan acknowledged that he was ready to lead the charge.

Recognizing that the current level of employee morale and reduced productivity were major barriers to success, Dan decided to seek input from employees across the organization. He wanted to know what was on their minds and what they needed from him and other leaders to help return NI to greatness. Unlike the first failed attempt at workplace resilience, Dan decided that he would lead this initiative. Within only three weeks, Dan personally visited all six of NI's locations. Through the help of Kim and her HR team, Dan was able to speak with nearly 80% of all employees through informal breakfast and lunch group meetings. At first, many of the employees were skeptical. After all, Dan had not been to most of these locations in over 2 years and many remembered his lack of involvement in the last change management initiative. Even more than this, they remembered his almost random cost cutting mandate that had produced such ill will across the organization. Sensing this wide spread skepticism, Dan admitted to the employees that he had not done a very good job last time around and that he had decided to take full responsibility for allowing NI to get to this point. He also informed them that they would be seeing a lot more of him and his executive team because now, they were all going to be responsible for helping NI to get back on track. Dan went on to say that they needed everyone's help and that this would be no small undertaking but that together, they would make NI a great place to work at once again.

Dan and Kim were both a bit surprised by the consistency of the feedback from employees across the organization. Sure there were those who were still very negative, but the vast majority of employees wanted to believe in a brighter future based in no small part on their proud past. With very little exception, the top three things that employees wanted answers to included, *what is happening?* - *why is it happening?* and *what do you expect from us?*

Realizing the importance of a consistent leadership response to these three critical questions, Dan and Kim decided to start with the executive team. Dan personally contacted each member of his executive team to discuss the employee feedback and instructed them to consider the three key questions. Within two weeks, Dan and his team met to discuss their communication strategy relative to the three key questions. The group quickly agreed that the sequence of questions made sense and that it was in everyone's best interest to keep things simple and clear. Like some executive teams, Dan and his team had been known to allow hubris to distort and dilute some executive communications in the past.

With the help of Kim Jeng as the facilitator, the executive team was able to agree to a real and meaningful response to each of the three key questions. They agreed that *what was happening* was that NI, like most insurance providers was being impacted by many external forces of change like; competition, demographics, regulations, technology and the overall state of the economy. After considering each of these external change factors, the group was able to see that these factors not only represented *what was happening* but also *why it was happening*. Finally, the group agreed that what was expected of each employee was no different from what the executive team expected of each other, to act with integrity and purpose, to stay positive and hopeful and to remember that we're all in this together and that when one of us succeeds, we all succeed.

While Dan was very pleased with the outcome of the executive team meeting, Kim expressed some caution. She went on to say that while this was a very powerful message, it might not reflect the thinking of the broader leadership across NI. After all, the many front line managers that would need to carry the message across NI should have some input on what was being communicated relative to the three key questions. Dan agreed with Kim's assessment and instructed her to set up a series of meetings with leaders across the organization. Over the next four weeks, Dan and Kim held eight communication strategy meetings with all leaders across NI. The reaction from most leaders including many other employees was very positive. This was the second time that Dan had visited their location in under a year and once again, he was looking for their input. In each of the leadership communication strategy meetings, Dan shared what came out of the executive team communication strategy session. He indicated that he thought that it was a good start but that he was sure it could be improved upon by leadership groups across NI.

While there were some varying opinions on the overall content of what was being communicated relative to change at NI, Dan and Kim were able to build clarity and consensus across the leadership ranks at NI. By using the three key questions as framework, the leadership team now had a clear and consistent story to tell about organizational change and transformation at NI.

Not content to leave leadership communication to chance, Dan asked all leaders to develop a proactive process for sharing the new leadership communication across the organization. As a beginning point, they agreed that Dan would do a company-wide communication once per month to update employees on NI's progress and also to seek input from employees about what leaders could be doing to help them succeed. It was agreed that Dan's first monthly communication would include the leadership team's answers to the three critical questions as well as lessons learned to-date.

One of the many important lessons that Dan and his executive team learned through the process was that some employees need more help than others to navigate organizational change. To this end, Dan enlisted the help of Kim and her HR team to offer change specific training across NI. He also initiated a monthly leadership conference call to update leaders on financial performance and to allow all leaders to share lessons and successes relative to the organizational transformation. Not surprisingly, this monthly exchange of leadership thinking went a long way in building further clarity and consistency around leadership communications.

Dan and his executive team worked diligently over the next two years to be role models for change by being more visible and engaged in the change process. The monthly conference calls and employee updates from Dan served to create many important outcomes including improved morale, collaboration, clarity and purpose.

The Results of Effectively Leading Needed Change

Today, nearly six years after Dan's ill-fated cost cutting mandate, NI is enjoying double digit growth and employees have a renewed sense of hope in the future. Dan continues to do his monthly conference call for leaders and is now doing a quarterly employee communication that includes performance data, leadership strategy and updates on the three critical questions related to organizational change and transformation.

Discussion:

1. Evaluate the CEO's initial approach to change in 2004 – 2005 and the consequences of this approach.
2. As a leader leading change, how could the CEO have approached the need for change differently?
3. As a potential change champion yourself, what can be learned from the way the HR SVP finally got the attention of the CEO?
4. Discuss why it is important for leaders to have a leadership style that welcomes open communication and feedback and the correlation between leadership communication and employee morale.
5. What did the CEO do to lead change the right way the second time and what different outcomes were achieved?
6. Are there other things the CEO could have done to more effectively lead the change process the second time?
7. What value does leadership transparency play in reducing the rumor mill?
8. Why is executive sponsorship critical?

Key Leadership Lessons:

1. Organizational change and transformation is a continuous process not an event.
2. Organizational change is most often driven by external factors.
3. As the pace of change accelerates, employees want and need more information.
4. Absent clarity and consistency from the leadership team, employees feed the rumor mill
5. Most employees want to believe in the organization and its future.
6. Executive sponsorship of organizational change and transformation is critical.
7. Every leader is a role model for the organization.