

Available online at [www.sciencedirect.com](http://www.sciencedirect.com)



# Strategic Change and Leader–Follower Alignment

WILLIAM B. WERTHER JR.

Consider the plight faced by AT&T's telephone manufacturing operation, Western Electric, once the deregulation of the phone industry demanded strategic change.

Prior to deregulation in the 1980s, consumers leased their home telephones from the local operating company. Since they were regulated monopolies, the operating companies were typically allowed to earn a non-guaranteed maximum rate of return on their assets. This "return-on-assets" regulation provided little incentive to hold down the manufacturing costs of the telephone instrument, for three reasons. First, the production costs of the phone entered the asset base upon which returns for the telephone operating companies were based. So, there was no incentive to pressure the manufacturing division for lower costs. Second, consumers had no choice but to lease the instrument from the phone company. So, prior to deregulation, there was no threat from low-cost competitors. And, third, since the return on assets was not guaranteed by regulators, a high quality phone required fewer expensive repair calls that could reduce potential earnings below the regulatory ceiling. High quality phones also had the benefit of reducing consumer complaints to the state regulatory agencies that controlled the operating companies' rates and tariffs. So, reliability was more important than costs. Thus, emerged a strategy of providing high quality phones.

After deregulation, the Federal Communications Commission permitted consumers to own and install their own phones. Soon,

low-cost instruments flooded the domestic market, upsetting Western Electric's "high reliability, high cost" strategy. Declining market share for Western Electric phones caused executives to change their strategy to low-cost phones. This strategy met fierce resistance from their engineers, managers, and assemblers—who believed that Western Electric should remain committed to its historical legacy of producing quality phones. Management's low-cost strategy failed because of employee resistance. As a result, Western Electric had to outsource phone production overseas.

The result? Employees tried to "save" the company from its low-cost phone strategy. Even assuming that the "low cost" strategy was viable, it became irrelevant because employee resistance caused the strategic change process to fail.

Across generations of consumers, regulators, and employees, the "high quality" strategy provided AT&T, its Bell operating companies, and its Western Electric manufacturing arm with a source of sustainable advantage. In time, however, even the best strategies become outdated and must be rethought. In rethinking strategy, leaders must address two issues: the reformulation of the strategy and its implementation. When reformulation gives way to implementation, success depends largely on how employees perceive the strategic changes and the change process. For, ultimately, employees determine the organization's adaptability to increasingly turbulent environments. However, failure of strategic change becomes

likely when employees perceive it as inappropriate—regardless of the merits of underlying strategy.

Framing a solution to leader–follower alignment begins with an understanding of “Assumptive World Theory.” It offers a foundation upon which leaders can better understand another concern, employee and organizational defenses against change. Understanding what causes the assumptive worlds of leaders and followers to collide is a prerequisite for aligning these assumptive worlds. Then, recommendations for a leader-driven alignment process follow, suggesting that the change process itself is key to creating a greater receptivity to strategic change among leaders and followers. We begin with “Assumptive World Theory.”

## ASSUMPTIVE WORLD THEORY

Each of us lives in a world built upon numerous assumptions. Our lives are built upon a foundation of assumptions that are seldom questioned; attempts to catalog them would paralyze action with endless lists. Collectively, these assumptions form each individual’s assumptive world. “Assumptive World Theory,” which psychiatrists and psychologists developed to understand the psychological impact of trauma, suggests that our underlying assumptions provide a sense of stability and predictability to our lives. Applied to the employees at Western Electric, the theory works like this: employees assumed that quality phones would be the hallmark of the company. When management violated the “quality phone” assumption, employees resisted that strategic change because management’s action challenged their assumptive worldview.

As R. Janoff-Bulman explains, each of us creates a conceptual system that includes assumptions that shape how we interact with the world around us. To the extent that these assumptions are accurate, we are able to function effectively. When we act upon these assumptions and they continue to prove valid, our actions reinforce our assumptions,



**William B. Werther, Jr., Ph.D.** is a professor of management at the University of Miami’s School of Business Administration, where he is also the founding co-director for the Center for Nonprofit Management. His teaching and research interests include organizational strategy and its related human productivity issues. Each summer, he also is a member of the University Do Porto’s MBA faculty in Portugal, where he teaches strategic and human resource management. He is a Fellow and former chair of the International Society for Productivity and Quality Research, a Fellow in the World Academy of Productivity, and former chair for the Managerial Consultation Division of the Academy of Management. He has served as an advisor to Anheuser-Busch, AT&T, Bell Canada, General Motors, Hewlett Packard, NASA, State Farm Insurance Companies, the White House Conference on Productivity, and scores of other business, government, and non-profit organizations in North America and Europe. Among his more recent books, he co-authored (with the late Keith Davis) *Human Resources and Personnel Management 5/e* (McGraw-Hill, 1996) and *Third Sector Management: The Art of Managing Non-profit Organizations* (Georgetown University Press, 2001).

causing them to fade further and further from our conscious awareness. But, when reality intrudes and our assumptions prove wrong, psychological trauma results.

Psychological trauma is a shock to the system. The shock occurs because something violates our assumptive world. When the shock is sudden, unexpected, and severe, the trauma may have devastating effects, debilitating the person. Bank tellers who experience an armed robbery, construction workers who observe a fatal accident, or employees who witness violence at work, all experience trauma. If the individual reaction to the trauma is debilitating and reverberates for more than 6 months, it is clinically labeled post-traumatic stress disorder.

Traumatic reactions to change do not necessarily have a dramatic cause such as violence at work. For example, return to Western Electric's decision to shift its strategic focus from "quality" to "costs." This change challenged employees' foundational assumptions about their careers with the company. And this challenge was made even more traumatic because the firm's commitment to quality telephones stretched across generations of workers and managers, becoming a major and often unexamined assumption of the firm's corporate culture. This assumption was also reinforced decade after decade by a variety of rewards, recognitions, promotions, and bonuses, further embedding "quality" into the assumptive world of employees. Then management acts in a way that seemingly disregards employees' feelings of pride and purpose. To the extent that individual employees had their self-images tied to their pride in quality workmanship, management's strategic change may even be translated into a blow to individual self-identities.

Admittedly, few outsiders or managers would view the strategic change to low-cost phones by itself as deeply traumatic. However, significant changes can set off a cascade of questions that call forth a reexamination of other life assumptions beyond the initiating event. The logic is straightforward: if fundamental assumptions about the nature of

life or work prove to be wrong (such as, Western Electric's commitment to quality), perhaps other life assumptions are not valid either. For example, employees may question management's competence, their personal job security, retirement plans, interpersonal relationships on and off the job, and even their self-worth. Now, what might seem like just a change in strategy actually becomes a catalyst that triggers a cascade of other concerns, amplifying the trauma of the initiating change.

Even if the change is not seen as very traumatic, most managers and organizations are ill equipped to address employee concerns. Simply put, talking over employee feelings about strategic change is seldom comfortable for managers or employees. So feelings are typically ignored, denied, or suppressed. These unresolved feelings can amplify subsequent events that challenge one's assumptive world. As Ogden and Minton wrote:

Traumatic events, which evoke strong reactions, bring us to this dilemma: reactions to overwhelming events can remain unprocessed, and so allow the past to strongly diminish the quality of one's present life.

When a reaction stagnates, a subsequent event, which contains elements of the original unmetabolized event, has the power to evoke a reaction that is out of proportion to the current situation. A feeling of irritation can escalate to rage, for example, when it is coupled with the unprocessed anger evoked by a past event.

In the Western Electric context, strategic change can create unresolved feelings of betrayal and trauma that may go unprocessed, only to be evoked when subsequent layoffs signal that the "strategy failed." Then AT&T's strategic decision in the 1990s to spin off Western Electric into a "new" company, Lucent, can lead to disproportionately forceful resistance because the earlier "quality-phone" trauma remained "unmetabolized."

Now a non-virtuous cycle is created: past violations of employees' assumptive world (the quality phone issue) that remain unprocessed can drive resistance to subsequent strategic decisions (layoffs, reorganizations, and spin-offs). In turn, if these subsequent changes further violate employee assumptions and remain unprocessed emotionally, even more fuel is added to the fires of resistance, and the cycle continues.

As a result, change resistance can be amplified or suppressed in unintended ways. Against this backdrop, collisions among the assumptive worlds of leaders and followers become more understandable and avoidable. Aligning the orbits of these assumptive worlds can make strategic change more readily acceptable. Such an alignment, however, begins with the leaders' assumptions and reactions to resistance.

## LEADERS' ASSUMPTIONS AND REACTIONS TO RESISTANCE

Underlying all strategic change are the assumptions held by the leaders. They make assumptions about the change and the change process. They also make assumptions about employees and employee resistance to change. And, when resistance does occur, leaders often react in predictable ways that add further resistance. Here again, these assumptions and the reasoning they foster seldom seem to be explicit. The thinking process falls along the following lines: change is a threat, and strategic change is often a big threat. It undermines the assumptive world of employees, it upsets interpersonal relationships, it requires abandoning known routines, it challenges self-identity, and it often raises questions about whether one will be as successful under the changed circumstances.

Simply put, strategic change often violates assumptions about what is needed—particularly among those not privy to the forces driving the strategic decision-making process. So, resistance follows. And, since resistance seems common, leaders might

well generalize that "resistance to change is normal." In time, attitudes about change become built into the leaders' day-to-day thinking, language, and assumptions that "people resist change." Then, these assumptions become self-fulfilling prophecies.

Before dealing with employee resistance, leaders need to be aware of their assumptions and how those assumptions shape their actions. For example, one common assumption can be summarized as: "Leaders are paid to make decisions." Literally believing this dictum, leaders make decisions that are then "imposed" on others. Some leaders shift their assumptions from "being responsible for *making decisions*" to "being responsible for *getting decisions made*." This difference is more than just semantics. When leaders define their role as "making decisions," there is little need to involve others in the process or even inform them of the reasons behind the decision. Moreover, when leaders begin with the assumption that they must make decisions, then challenges to their decisions attack their authority and are wrong. Then, right or wrong, what do the leaders do when employee resistance challenges their authority to make decisions?

When resistance occurs, leaders have choices about their assumptions that influence resistance. For example, are their reactions "logical" or "empathic?" Leaders often assume that resisters do not see the logic behind the change. Leaders then typically argue the rationale for change by pointing to foreign competitors, legal rulings, declining revenues, or other "facts" to justify the need for the change. Of course, these reasons and justifications—correct as they might be—often entirely miss the cause of resistance: emotions. Even worse, managements' efforts to use logic can actually fuel emotional resistance because of management's apparent insensitivity to employee feelings.

People resist change being imposed upon them because they feel uncomfortable. Resistance is an emotional reaction, one that is often alogical or even illogical. Reconsider the Western Electric employees, who undoubtedly saw \$10 telephones in their

local drug stores, thus demonstrating management's unassailable logic. But, their resistance to making low-cost phones does not end because \$10 phones exist. To counter emotions and feelings with logic is somewhat like fighting fire with poetry.

Change requires an empathic response—recognizing that reactions to the change may have little to do with the logic behind it. Admittedly, emotions may be anchored in objective losses. Strategic changes do impact job security, needed skills, status and power relationships. If the change leader overlooks these “losses,” resistance may be disproportionately severe. No amount of dialogue will compensate for such losses, real or perceived. But, when an empathic reaction is not forthcoming, employees rightly believe that management is insensitive. And, that insensitivity can lead to indifference or resistance to change, regardless of how needed those changes are. Perhaps a more telling concern is: could insensitivity to the emotional reactions of others be a sign of the leaders' resistance to change?

## THE LEADER'S RESISTANCE

One clue to the leader's resistance may be a lack of sensitivity to employee's emotional reactions. Focused on the “logic” of the strategic change, many leaders dismiss employees' “emotional” arguments as unimportant or inappropriate. The result is that employees push back against management's “logic,” and managers push back against employee's “feelings.” The leader's resistance to employee's emotional arguments is just another form of resistance. It may cause employees to conclude that the leader is wrong, and therefore the strategic change is wrong, too. Though such inferential leaps may be logically dubious, emotionally driven questions can undermine the leaders' credibility and perceived competence. For example, “Management cannot even respond to our concerns effectively, how could they possibly be right about the change?” This perceived emotional indifference can lead to employee

detachment. Then, the subsequent failures “prove” again that management was wrong. One can imagine laid-off Western Electric employees confidently announcing, “We told them that low-cost phones were a bad idea.” Such emotional-logical communication mismatches might be analogous to broadcasting on the AM band and expecting those with FM radios to listen. The key for leaders is to realize that the emotional-logical miscommunications are an indication that management is also being defensive—dealing initially in a currency of facts and logic, as a defense against dealing with feelings and emotions.

In turn, management's defensive behavior further fuels the emotions underlying the resistance. First, the leader's focus on the “logical” and not the “emotional” issues may evoke previously suppressed feelings that management is insensitive to employee needs. Here resistance may appear stronger, even out-of-proportion with the intended change, because unresolved feelings from previous changes are stirred up. Second, management's outright denial of the employees' emotional issues may be expressed as macho demands—“They should just tough it out and get on with their jobs and the needed changes.” Or, “When are these whiners going to get with the program?” Such defenses by leaders further underscore employee perceptions that management lacks empathy. Or, worse, employees might conclude: “If management does not care about our issues, why should we care about theirs?” Third, not accepting that different people recover from shocks to their assumptive world at different rates, change leaders may be tempted to “blame the victims,” thus avoiding a self-assessment of how leaders are directing the strategic change process.

Finally, management's defensive stance may declare employee inputs into the process as outright resistance to change, especially when leaders assume that their role is “to make decisions” rather than “get decisions made.” Not only may employee inputs appear to be both resistance and an affront to the leader, the employees now “hear” a mixed message: “We want your help to

make low-cost phones but we do not want to hear how you feel about this decision." Or, more generically, "We want your input, but not your feelings or resistance." And, the impact of mixed messages often further suppresses communications and commitment. As Argyris observed:

All organization defensive routines are based on a logic that is powerful and that has a profound impact on individuals and organizations.

The logic is to:

1. Craft messages that contain inconsistencies.
2. Act as if the messages are not inconsistent.
3. Make the ambiguity and inconsistency in the message undiscussable.
4. Make the undiscussability of the undiscussable also undiscussable.

If Argyris' organizational logic takes hold, management's defensive behaviors may be undiscussable. Resistance continues. Emotions are left unmetabolized, only to further feed current and future resistance to change.

## **COLLISIONS AMONG ASSUMPTIVE WORLDS**

The stage is now set for a collision among the assumptive worlds of leaders and followers. Resistance is expected, the emotional-logical divide widens, and management's defensive behavior reinforces employee concerns, which may be suppressed by Argyris' defensive routine. Since strategic change, by definition, involves redeploying the organization's resources in ways that suggest a potential advantage over rivals, four conclusions merit consideration. First, while some constituents of the organization may be unaffected, strategic change is not trivial. Even employees who did not design or make the phones at Western Electric undoubtedly felt diminished

by the shift from a quality focus, for example. The redeployment of people, competencies, and other resources impacts the accepted order and is likely to engender resistance. The force of that resistance parallels the extent of the mismatch between the assumptive worlds of all participants and the degree of unmetabolized issues left over from previous strategic change efforts. Thus, by definition, strategic change is non-trivial and impacts, directly or indirectly, the assumptive world of leaders and followers alike.

Second, senior leaders will be deeply involved in the strategic change process—often vetting its logic, its rationality, and its clarity of purpose. For large-scale, strategic change, the preparation process can take months of planning, meetings, consultants, and approvals. Mere involvement in these activities shifts the leaders' assumptive views. For example, reports, briefings, and meetings among executives at Western Electric about the need for competitive, low-cost phones provide them with months of preparation to reorient their assumptive world-views about quality phones. Admittedly, sometimes these changes are so slow and subtle that leaders become unaware their assumptive world has changed orbit compared with others in the organization. And, even when they become aware, their involvement convinces them that they are following the right trajectory and others are not, making resistance by followers even more perplexing. Time and effort in planning the strategic change shifts the leaders' assumptive world away from that of their followers.

Third, the detailed planning causes top management familiarity with the need for the change and the step-wise change process. The result is both a clear understanding and strong commitment to the change. The leaders' investments of time and effort in the preparation for change add to the perceived importance of the change. Restated, awareness and importance of the change is high among those involved, precisely because they have been involved in the preparations. For leaders at Western Electric not to see their time and effort as important would be to

discount their own endeavors and create dissonance over why they worked so hard planning the change. So, not only do change leaders have a different perspective from their followers, that perspective is invested with greater energy and importance, making resistance to their plans even more perplexing.

Lastly, evaluation of the change seems natural, so appropriate metrics are almost certainly going to be introduced. In turn, these measures require attention to new variables, which may conflict with what employees view as important in their assumptive world. At Western Electric, for example, employees saw quality measures as paramount. When cost measures were stressed, they further challenged employees' assumptive world, adding to their workload and their resistance. So, change metrics are often a flash point in the change process because their utility is often different for followers than for leaders.

With considerable time and effort invested in developing the preparation process, leaders now think they are ready to implement strategic change. On the logical side of the implementation, they have a plan and measures to track its success. On the emotional side, their participation increased their awareness, commitment, and importance to the change, while increasing the sense of urgency for the strategic changes. But, lower-level managers, professionals, and employees who were not involved in the reformulation and planning processes are less ready to handle change. Emotionally, they see the changes as sudden and being imposed from above, tapping into the undiscussable and suppressed feelings left over from previous challenges to their assumptive world. While leaders advance the actual changes and their rational, others in the organization are still processing the implications for their assumptive world. They are working through the feelings and emotions that leaders addressed weeks or months earlier. As a result, employees may not even be receptive to the "logic" behind the change until they have processed these emotional reactions and tested management's receptivity to their feelings.

Change leaders further compound their difficulties by assuming that others "must see" the "obvious" need for the change, forgetting the emotional head start they gained by being involved in the planning process. As a result, building awareness by educating those not involved in the planning process, if done at all, may be done insufficiently in the name of urgency. Urgency, in turn, may cause the assumptive worlds of leaders and followers to collide in other ways. Armed with their plan and an emotional commitment to it, leaders rely on measures as a substitute for creating awareness. Here the logic is straightforward: if employees understand the measures used to track the changes, then they will understand the plan, even its underlying necessity. Of course, the measures themselves may fuel resistance, because employees see them as an additional burden of record keeping and potential controls on their efforts. Burdened by the time demands of the change, record keeping adds still more time-consuming efforts, while regular day-to-day duties remain. So the "short cut" of using measures to build awareness, understanding, and commitment may, in practice, have the exact opposite effect.

Simply put, much of what is labeled as resistance to change or defensive behavior results from the collision of different assumptive worlds. Making implicit assumptions explicit, reacting to emotions as well as logic, and discussing mixed messages all serve to remove major barriers to change. However, merely removing these barriers does not assure the success of strategic change. Needed is a greater, affirmative alignment of the leaders' and followers' assumptive worlds.

### **EPISODIC VERSUS CONTINUOUS ASSUMPTIVE WORLD ALIGNMENT**

Aligning the assumptive worlds of leaders and followers is fundamental to reducing resistance to strategic change. But, attempts to create this alignment commonly occur only when a specific, episodic change is

about to be implemented. Not only do such approaches appear to be disingenuous, they often fail—because leaders seek alignment around the logic and actions of the change, while followers are struggling with the emotions and feelings. Episodic efforts to push the logic and needed actions are likely to create even greater misalignment.

An episodic view of change seems to be embedded in the assumptive world of both theorists and practitioners. Ironically, strategic success depends on adapting to continuously changing environments, suggesting that the strategic change process needs to become more continuous. Yet, influenced by some blend of “human nature” and Kurt Lewin’s widely embraced “unfreeze-change-refreeze” model, strategic change is viewed as episodic, coming in waves, followed by periods with relatively little change. At the same time, practice suggests that strategic change is never an isolated event. It is connected with actions that precede it and follow it, continually shaping the assumptive world of those in the organization. In turn, this interconnectedness carries implications for how subsequent organizational changes will be perceived and received. Thus, strategic changes flow from one focused process into another, overlapping emotionally if not always temporally, even if they are treated as episodic. How can leaders reconcile these seemingly conflicting, if not paradoxical observations of episodic efforts to address continuous change?

Reconciliation assumes that leader-driven strategic changes are, in fact, episodic but that the preparation for these changes is a continuous process. How leaders manage this change process largely determines the extent of assumptive world alignment and the receptivity of followers to subsequent strategic changes. The ultimate goal is to build a new core competency, which is the ability to rapidly implement strategic changes. The addition of a rapid-response competency facilitates organizational viability and fit with its environments, offering an additional source of competitive advantage. Of course, the key question is: how do leaders prepare

their organization for strategic changes yet to come?

## **PRESENT VERSUS FUTURE ASSUMPTIVE ALIGNMENT**

The assumptive worlds of leaders and followers are different. Leaders focus on the organization’s future interface with its external environments. Followers live largely in an inward, present-oriented time frame, which often defines the long run as next year. As a result, when externalities demand strategic changes, employees often have little knowledge about the driving forces behind the change. Episodic responses often do little to create awareness because, as already discussed, time pressures and leader familiarity with the needed changes discount the value of creating awareness among followers. Although initial resistance to strategic changes may cause leaders to backtrack and explain these external drivers, this dialogue often appears as after-the-fact justification of decisions already made—which may engender even more resistance and distrust as suggested by the often asked question: “Why are they telling us this now?” Thus, again, we arrive at the conclusion that the introduction of episodic efforts to generate follower support may actually create greater misalignment among the assumptive worlds of leaders and followers.

Leaders need to produce a new focus—one that draws the attention of those in the firm to the external environments and their future implications. These “outward” and “future” oriented discussions cause employees to examine the environment’s impact on the organization. The intent of the outward attention is to move the leader–follower dialogue from inward, company-focused issues to outward, customer-focused concerns. Then, as an external orientation gains ascendancy, leaders need to guide the dialogue toward the change implications.

In short, assumptive world alignment emerges from a continuous dialogue. The guideposts for this dialogue are not the



answers, but the questions that leaders use to create the dialogue. What are the competitive, technological, regulatory, economic, socio-cultural changes that are constantly reshaping the playing field in which the firm competes? What are the characteristics of the competitive environment that are likely to result? What can the firm do to ensure that it is well positioned for that emerging environment? Can a rough consensus be achieved around what the firm sees itself being and becoming? Can that consensus be stated in the form of an ennobling, well-articulated vision statement? Can management then tie its present efforts and future plans to that vision statement? Simply put, can strategy reformulation and the subsequent strategic change processes support an agreed-upon vision?

## **LEADERSHIP-DRIVEN ALIGNMENT PROCESSES**

The creation of a dialogue among change leaders and followers assumes leadership. It also requires a systematic methodology to extend the dialogue throughout the organization. For example, consider how TRW Inc. approached the need for productivity improvement in its diverse and far-flung operations.

TRW recognized that for its space, automotive and industrial units, the firm's growth strategy had to shift from being a high-cost innovator to a low-cost producer of rack-and-pinion steering, fasteners, commercial satellites, and other industrial products. Its strategic repositioning—its very survival—required it to increase productivity of its labor, capital, materials, and energy. Corporate leaders could have mandated this strategic change by imposing company-wide productivity measures, with the attendant resistance such a decision would have undoubtedly evoked. Instead, a decision was made to create a dialogue throughout the company on how to improve productivity.

A vice president for productivity was appointed to lead this dialogue. Employees

were educated about the crucial role productivity plays in maintaining TRW's competitiveness. Then, to drive this dialogue throughout the organization, a decision was made to train employees in a form of structured brainstorming, called the nominal group technique (NGT).

The training involved NGT exercises, where employees quietly listed productivity improvement ideas within their authority and budget. They then shared those thoughts in round-robin fashion with others in the group, while a facilitator recorded and clarified the ideas. Once all ideas had been listed, employees voted on which ones were the "best," with the intention that the best idea would be implemented.

By involving employees in a dialogue about the competitive, global pressures for lower costs, TRW created awareness among employees of a key external driver. Then, by engaging rank-and-file employees in the process of identifying productivity improvements and giving them a tool (the NGT) with which to undertake these improvements, TRW further expanded the organization-wide dialogue around productivity improvement. The program costs—for facilitators, training and execution time—were repaid through literally hundreds of self-managed productivity improvements that began changing TRW's culture. At the same time, professionals, employees, and lower-ranking members of management gained both a new tool for group decision-making and a way to improve the firm's productivity and competitiveness. A common ongoing dialogue was created among leaders and followers. Future strategic changes to improve productivity were more readily accepted because of leaders and followers held shared beliefs about the strategic role of productivity improvement.

Restated, the process of creating the dialogue among people in the organization moves their varied assumptive worlds into closer alignment. Admittedly, an ongoing dialogue does not guarantee a convergence of beliefs. Engineers at Western Electric and scientists at TRW's space division may have preferred earlier strategies and continued to

resist. Reasonable people may still disagree. Internal company issues must still be resolved. But as this “outward” and “future” dialogue progresses, common views about the competitive, technological, regulatory, competitive, and other environments begin to emerge. These shared views become integrated into individual assumptive worlds, offering points of agreement that can serve as steppingstones toward a more unified consensus. Then, as Hamel and Prahalad argue, leaders can use this rough consensus to build a common vision of what the future might be,

and how the organization can ensure being first to that future. With a rough consensus about the future, leaders can better identify the competencies needed to prosper in that future and are more likely to gain the support of followers in getting to that future.

The approach used by TRW represents just one methodology. For example, scenario analysis projects different possible futures, providing a springboard for greater involvement and agreement. Open Space Technology, Whole Scale Change, Future Search, and other approaches exist. As elaborated in the

### *CREATING THE DIALOGUE AT GENERAL ELECTRIC*

With a range of industries from manufacturing to service to finance, from light bulbs and home appliances to jet engines and artificial diamonds, General Electric is buffeted by virtually every environmental cross-current imaginable. Its 300,000-member workforce deployed around the globe compounds this complexity. As a result, the creation of an internal dialogue about needed changes is no small matter.

GE has managed to create an internal dialogue by using a variety of techniques. Perhaps, the most widely recognized approach is its training and development facility at Crotonville. Here selected managers and professionals attend a variety of action-oriented training experiences, aimed at high potential managers, mid-level managers, and fast trackers at the beginning of their careers. Central to these three programs is the creation of a dialogue among participants and senior business unit management, including in years past the CEO, Jack Welch, who attended these top three courses. Participants were able to gauge the intensity of the firm’s commitment to change, and they got to see firsthand their leader’s views of the changing environment. They also developed cross-divisional relationships, which provided different perspectives on the various environments in which GE operated. Open discussions not only provided insights about the ever-changing world in which GE operates, top management learned about the “logical” objections to change and their “emotional” intensity. And, of course, a substantial side benefit included senior management’s chance to get to know a wide variety of high potential players inside the company.

Even with more than 5,000 employees passing through Crotonville by the late 1980s, other methods were needed to create awareness about changing the business. Work-Outs were introduced. Their purpose was, as the name implies, to take unnecessary work or activities out of the organization. Begun by presenting a group of employees with an issue or challenge, attendees would list problems, identify solutions, and “sell” their ideas to senior managers, who had to make on-the-spot decisions about at least 75 percent of the suggestions. This methodology extended the internal dialogue to lower level workers and even union members by engaging them in ways to improve the company’s ability to compete and forcing them through their involvement to become aware of the challenges facing GE. Today, more than 200,000 GE employees have participated in a Work-Out. Whether trying to push back against the internal bureaucracy that perplexes all large organizations or simply finding ways to introduce six-sigma quality levels through the firm, GE has created a variety of other initiatives to ensure an on going, internal dialogue. Among these were “destroyyourbusiness.com” teams designed to rethink various business models GE uses and its later evolution, “growyourbusiness.com”—both of which were intended to respond to the external threats and opportunities posed by the Internet. These and other approaches represent methodologies that open a dialogue among employees about the changing demands faced by the organization—demands that transcend individual jobs.

sidebar example of General Electric, still other approaches have proven successful. Perhaps more important than the specific dialogue is the need for an ongoing process to educate employees about the external forces that drive the need for strategic change. It is the process that builds the awareness about the external demands on the organization. It is the process that leads to a shared set of assumptions. It is the process that begins the ongoing alignment among the assumptive worlds within the organization. It is the process that creates a more unified commitment to a shared vision. It is the process that causes these assumptive worlds to orbit the shared vision.

## LEADERSHIP IMPLICATIONS AND THE FUTURE

A universal demand on leaders is to prepare their organizations for the future. That future holds many speculative possibilities, but one constant seems certain: accelerating change. The explosion of interconnected computers and the ongoing migration of Internet-facilitated business practices means faster feedback loops among customers, suppliers, producers, and service providers. This electronic-based acceleration of information flows enables a quicker recognition of changes in the competitive environment, shortening organizational response times. These faster response times, in turn, fuel the need for even more strategic changes, perpetuating an accelerating rate of change.

With accelerating change as a hallmark of future competition, organizations that survive and prosper in that future will be distinguished by their ability to implement strategic change. Whether reactive or proactive, leaders and organizations that repeatedly master implementing strategic change will gain a much-needed competitive competency. This mastery demands the creation of an organizational culture that aligns leaders' and followers' expectations about the role of strategic change in organizational

success. Consider two brief examples from firms that dominate their respective industries: Gillette Co. and Cisco Systems Inc.

Gillette has dominated the "wet shave" market on a global basis for so long that the name "Gillette" is a synonym for razor blades in some cultures. Content with their "use-and-dispose-of Blue Blades" strategy for most of the firm's history, Gillette operated in a highly stable, virtually unchanging environment as recently as the 1960s—seldom exhibiting new innovations in its products or operations. After decades of industry dominance, Gillette was challenged by Wilkinson's stainless steel blades and then by Bic's disposable plastic razors. The culture inside the firm was one of concern for "cannibalizing" their well-established "Blue Blades" because, like AT&T's quality phone assumptions, everyone in Gillette "knew" the firm's success depended on selling short-live Blue Blades. Having fallen behind competitors' innovations twice in a decade, Gillette reacted, relying on its core distribution competency to maintain its dominant position while it prepared competitive products.

Management's decision to sell stainless steel blades and disposal razors was resisted, giving upstart competitors time to become entrenched in market niches where they still remain decades later. By the 1970s, however, leadership and cultural changes within the firm, combined with the willingness of some employees to "cover" for others who undertook "unauthorized" innovations, led to the successful introduction of the Trac II razor. Though not initially sanctioned by the firm, this innovation led a cultural transformation. Since the 1970s, Gillette has changed its position in the industry from being a slow follower to a first-mover, innovating first with the Trac II, then with the Sensor and Mach III products (and their variations) in subsequent decades. The result? Gillette has not only extended its dominant position in the wet shave market, it has changed the assumptive world of managers and employees from being a purveyor of traditional "Blue Blades" to that of an innovative provider of new consumer products,

ranging from personal care items to disposable batteries.

A second example comes from Cisco, the dominant player in providing routers, switches, and other basic components that form the “plumbing” of the Internet.

Cisco’s dominance in providing much of the Internet’s infrastructure comes in large part from its ability to align employees, management, researchers, and others within the firm to embrace the innovations of others. While many firms have a strong, “not invented here” culture (which often extends even to ideas from sister divisions within the same company), Cisco’s success is based on identifying promising Internet-related technologies developed by other firms and integrating them into its product lines. This integration goes far beyond creating technical compatibility and extends to systematically integrating employees of acquired firms into the Cisco culture. This ability to align the perceptions of newly acquired employees is crucial, because Cisco views “Silicon Valley” as a key part of its research and development efforts, and its growth has been driven largely by innovations from acquired firms.

While one might argue that the key to Gillette and Cisco’s success is the ability to implement new products, their hard-to-duplicate core competency is found in their ability to align management and employee expectations about what is needed for future success. Their strategic changes center around innovation, which often destroys the beliefs underlying and followers’ assumptive worlds. By aligning those worlds around the need for innovation, both firms have maintained broad dominance in their respective industries through their execution of strategic changes.

## **PARTING OBSERVATIONS**

Even great strategies fail unless well implemented. And, successful implementation increasingly means speed: how fast can the reformulated strategy be executed? Given the rapid rate of change in competi-

tive, technological, regulatory, economic, and other environments in which organizations must operate, delays that spring from resistance to strategic changes hinder the organization’s adaptation to its competitive challenges.

Employee resistance to strategic change becomes likely when leaders upset employees’ assumptive worldviews, particularly if deeply held assumptions are challenged or previously suppressed feelings are evoked. When differing assumptive views exist, as was the case at AT&T, episodic-based responses may be seen as disingenuous, adding to the misalignment. Similarly, leaders often label the resulting resistance to change as either “logical” or “emotional.” Besides heightening the differences between leaders and followers, labels that suppress feelings can give rise to undiscussable mixed messages, widening the misalignment still further. These impediments to change can be reduced substantially by uncovering implicit assumptions, recognizing that the emotional reactions to change are primary, and discussing mixed messages. These are necessary but insufficient conditions for successful strategic change. Change leaders must go further.

The pathway to greater leader–follower alignment must be created through continuous dialogue inside the organization about the ever-changing external environment. This differs from episodic attempts to gain alignment around specific strategic changes. Instead, needed is a shift among leaders from an episodic view to one of continuous dialogue about the drivers of strategic change. This dialogue with those who are impacted by the changing strategy and its implementation not only provides the “logical” basis for strategic changes in the future, but it creates both time and space for followers to emotionally adjust to the changes in their assumptive world.

Bluntly put, leaders manage strategic change or they fail. With a closer alignment of assumptive worlds, strategic changes can be introduced with greater acceptance and speed. Ideally, as assumptive worlds align

further, the ability to implement strategic change can become, in and of itself, a competitive competency. The pathway to this organizational competency requires a shift in the assumptive worldview of leaders—a shift from an episodic view of strategic change to a continuous dialogue about stra-

tegic drivers. Only then can the unifying gravity of common beliefs align the differing assumptive worlds into a shared orbit.



To order reprints of this article, please call  
+1(212)633-3813 or e-mail [reprints@elsevier.com](mailto:reprints@elsevier.com)



## SELECTED BIBLIOGRAPHY

The key book for understanding our assumptive world and how trauma shatters the assumptions that allow us to function effectively comes from R. Janoff-Bulman, *Shattered Assumptions* (New York: The Free Press, 1992). It outlines the how life experiences allow us to develop an often unstated range of assumptions upon which we base our daily lives. These assumptions are reinforced day after day until we no longer recognize them, unless they are called into question by some traumatic event. How we process the memory of traumatic events is explained by P. Ogden and K. Minton in "Sensorimotor Sequencing: One Method for Processing Traumatic Memory" in B.A. van der Kolk, T. Keane, and L.E. Lifson, eds., *Psychological Trauma: Maturational Processes and Therapeutic Interventions* (Boston: Boston University, 1999, 13–14).

Dealing with grief and organizational defenses are two keys to responding successfully to trauma at work. T. A. Rando's book, *Grieving: How to Go on Living When Someone You Love Dies* (Lexington, MA: Lexington Press, 1988) addresses perhaps the worse of all traumas, losing a loved one; its analysis and prescriptions hold relevance for organizational trauma. While successful grieving on the individual level is a necessary condition for moving beyond the traumatic event, organizational defenses may deny the importance of the trauma, making it more difficult for those affected to get on with the grieving process. C. Argyris' book, *Overcoming Organizational Defenses* (Boston: Allyn and Bacon, 1990) captures the origins of many defenses in the mixed messages that prevail in organizations. Then he points out the "undiscussability" of these messages makes resolving the organizational

defenses and acknowledging what is wrong difficult.

Ian Mitroff, Christine Pearson, and Alan Mitroff's book, *Crisis Management: A Diagnostic Guide for Improving Your Organization's Crisis-Preparedness* (San Francisco: Jossey-Bass, 1993) stands as a classic guide for leaders wishing to anticipate organizational crisis. It discusses the structure, culture, and corporate mind-set related to preparing for future crises. Kurt Lewin's, *Field Theory in Social Science* (New York: Harper & Row, 1951) provides a fundamental tool, force field analysis, for identifying the driving and restraining forces of organizational change. At the same time, his thinking has led many to an episodic view of change.

G. Hamel and C.K. Prahalad, *Competing for the Future* (Boston: Harvard Business School Press, 1994) argue for the critical nature of a unifying organizational vision. Their focus on both the "future" and "outward" nature of leader's vision seems central to creating an organization-wide unity. The importance of this unity is likely to grow as the competitive environment becomes increasingly turbulent. It is this environmental turbulence that drives the ever-shifting basis of competitive advantage, as W. Werther and J. Kerr explain in "The Shifting Sands of Competitive Advantage," *Business Horizons* (May–June 1995).

Specific approaches to breaking down "us and them" barriers and creating greater internal awareness of external environments can be found in two recent books by retired executives: J. Welch and J. Bryne, *Jack: Straight from the Gut* (New York: Warner Books, 2001); and Larry Bossily and Ram Charan, *Execution: The Discipline of Getting Things Done* (New York: Crown Publishers, 2002).