



## *Strategic Commitment:*

Creating the organizational environment that turns apathy, compliance and defiance into exceptional performance.

***To get people behind their business imperatives, most executives focus on “content”: determining the strategy and how to communicate it. But getting people to embrace and adopt the strategy requires solving “context” issues: people’s perceptions about their leaders’ credibility, courage, competence and concern.***

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**Let's be honest:** Most initiatives to improve organizational performance do not deliver. Whether the aim is to become leaner, more productive, customer-intimate or growth-oriented, the majority of change programs fail to accomplish their goals. Most don't cut costs, improve productivity, boost customer satisfaction, or raise revenue to the levels that the organization's leaders expected or promised to the board and Wall Street. Some initiatives, in fact, fail outright after succumbing to internal resistance. In fact, by one estimate, 90% of corporate strategies aren't executed successfully.<sup>i</sup> All in all, the track record of corporate change initiatives is a sorry one -- one that only Dilbert creator Scott Adams could take joy in.<sup>ii</sup>



But if senior managers better understood the roots of failure in change initiatives, the rate wouldn't be nearly so high. From more than 20 years' experience working with companies of all types and at all levels – from CEOs to middle managers all the way out to front-line supervisors and the shop-floor—we have found that the root cause for most failed strategies is actually not shortcomings in the strategies themselves. In fact, we've seen brilliant strategies fail in the worst way -- despite being *exactly* what the company needed at the time, well researched and analyzed, and presented compellingly at all levels.

These initiatives fell short because employees – from the front lines all the way up to the executive suite – weren't committed to make them work. Often in spite of proclamations to the contrary, they did not embrace the strategy with the resolve necessary to ensure it worked. Merely complying with what was



asked of them, they didn't go beyond the call of duty to think and act in the new ways required for the strategy to succeed.

**Contrast these failed initiatives with others that succeeded even beyond the expectations of their leaders:**

- The leaders of Avaya's struggling U.S. indirect channels organization boosted revenue 10-fold over four years to \$1.7 billion after getting skeptical managers and employees to adopt what they referred to as a "culture of unstoppable commitment."
- The treasury function at credit card innovator Capital One transformed itself from a reactive, under-resourced unit viewed internally as always a step behind the business to an inspired, energized force that not only funded the company's double-digit growth rate despite significant capital markets turbulence brought about by the company's regulatory speed bump but also substantially increased liquidity and significantly reduced transaction costs.
- Lucent's real estate division cut costs by more than \$100 million and lifted employee morale after securing unprecedented cooperation from its major union to make significant workplace changes.

To be sure, most leaders know they need the commitment of their people to make their strategies succeed. That need has been extolled for years by numerous management theorists, Peter Senge, Chris Argyris and Richard Pascale to name a few. But few leaders know how to get their people to wholeheartedly commit to their strategy.

How did the three corporate initiatives we mentioned and many others that we've seen get employees to embrace a major change? What did their leaders do differently than the executives whose programs generated mere compliance? They won employees over by attending to the “context” of their strategy, not just the “content.” By context, we mean the usually unspoken yet determinant views of people at all levels about their leaders’ sincerity, courage, competency and concern for the people who will be affected by the strategy. The leaders realized that concentrating on the strategy’s content – the specific direction that they called for and how they communicated it – was grossly insufficient.



By managing both the content and context aspects of the strategy, these leaders created powerful commitment to their strategy – no matter how incomplete or poorly articulated it might have been at the outset. They shifted their people into a state that we refer to as “strategic commitment,” a condition of ownership of a new direction and a self-imposed accountability to make it work.

This state of strategic commitment is far different than the typical levels of commitment most leaders gain to their change programs. We believe most failed change initiatives suffer the fatal flaw of non-commitment because leaders focused solely on improving the content of their strategy. They thought a clear and irrefutable business case would generate buy-in. In doing so, they ignored *context* issues or addressed them in unproductive ways. They failed to understand that how employees viewed *them*, whether accurate or inaccurate, determined people’s commitment to the change program.

Addressing context issues is not easy for leaders of change initiatives. What they have been taught for years to be the characteristics of strong leadership in reality often undermine the commitment of their followers. Supreme confidence, a detailed vision of the future, and brilliant oratory skills that “rally the troops” can actually erode people’s belief in the strategy and the people leading it. (See sidebar, “Leadership Traits That Erode Commitment.”)

Gaining strategic commitment requires leaders to be authentic and vulnerable. It demands leadership actions often considered to be weak management – apologizing for past behavior, coming clean with the past, acknowledging an incomplete vision or strategy, and speaking inarticulately but authentically. In change initiatives, many leadership strengths are weaknesses, and many weaknesses are strengths.

Take Tony Marano, the executive who led the turnaround at Lucent’s real estate division. Regarded by unionized employees as a highly effective but harsh and controlling leader, he had to recognize the shortcomings of his management style before they would participate in a critical efficiency improvement program. Other times it requires leaders to open up the strategy-making process to a much wider group, even at the risk of inviting dissension and delays. By learning such new leadership traits, executives like Marano propelled their organizations to levels of performance that even they didn’t imagine were possible.

Increasingly, leaving context issues unresolved will cost organizations dearly in the marketplace. A highly committed and engaged workforce is a critical edge in a world of competitors with structural advantages in cost, quality or scale. The failure to ignite people’s commitment to key organizational mandates will result in stagnation or decline.

Through case studies and examples from companies including Avaya, Capital One, Harris Bank, Lucent Technologies and Manufacturers' Services (now Celestica), we show how leaders can realize dramatic improvements in organizational performance. We explain how focusing on both *content* and *context* issues creates strategic commitment.





# The Elements of Content

**The first part of generating strategic commitment is well-known:** getting the content of the strategy right. **There are two aspects of content:** validity and clarity.

## Validity

Most executives view the job of getting everyone in an organization 100% behind a new direction to be straightforward, a process of creating the “right” strategy and then communicating it clearly. Leaders often convene cross-functional teams to work for weeks or months on the design of the strategy, developing the rationale, objectives and plans. If the organization lacks critical expertise or knowledge, leaders will often bring in outside experts to help with financial, market, competitor or demographic analysis. This is all aimed at improving the validity of the strategy – i.e., making sure it is, in fact, right for the firm.



# Clarity

Knowing that people don't buy into concepts they don't understand, executive teams take great pains to ensure their messages are clear. Communications consultants or internal PR staff will be ushered in to rewrite the plan in compelling prose.

By addressing the clarity and validity dimensions of the strategy, most leaders believe they have covered the bases for generating commitment. While these are essential, they aren't nearly enough. They alone won't get people to make substantive changes in their behavior, direction and performance.



For example, the head of strategy at a major financial services company's international division spent months building, socializing and iterating a three-year strategic plan to increase the firm's European market share. While he thought the plan was conceived collaboratively with all levels of management, senior managers resisted it. Why? Because even though the strategy was well researched and clear, he developed much of the plan on his own and *then* shared it with his colleagues. They saw it as *his* plan and thus didn't readily adopt it, which severely delayed the firm's European expansion.

Surprisingly, while the clarity and validity elements of strategy formulation are well understood, there is often considerable confusion and disagreement among management teams on even these basic building blocks. More on that later.

# The Elements of Context

Getting people behind the strategy doesn't begin and end with improving its *content*. The CEO must also focus on the *context* of the strategy – people's decisive beliefs that ultimately determine success or failure.

## **These beliefs fall into four categories:**

1. Whether leaders and managers are *credible* and *sincere*. Do people believe the leaders and managers will be straight about what is really going on?
2. Whether leaders and managers have the *courage* and *resolve* to see the strategy through. Will they have the guts to deal with the real issues? Will they stay the course in the face of adversity?
3. Whether the leaders are *competent* in creating and executing the strategy. Do people believe they know what they are doing?
4. Whether the leaders and managers *care* about the impact of the initiative on their people. Will they ensure that people see the benefits, be able to contribute to it, and be recognized for that contribution? Will management care deeply about them as human beings or will they view them as instruments to achieve their goals?



Let's look at each element of context.

# Credibility and Sincerity

If employees believe leaders are insincere, they will have serious doubts and fears about the new direction, particularly if it calls for layoffs and cost reductions. They will also question just about everything else that is said about the strategy, including the very need for it. They will continuously feel that the leaders are in it for themselves, and wonder, “What’s the hidden agenda? What is not being said? What’s really going to happen?”



This was the case at Lucent’s real estate division in 1997, the unit that builds and manages facilities worldwide for the telecommunications equipment manufacturer. Marano, who ran the unit at the time, promised the executive committee to cut costs and raise efficiency. That would not be done easily. Two-thirds of the division’s 2,500 employees were unionized, and union/management relations were contentious. Marano told union executives and employees they had to improve productivity and reduce costs, although he didn’t ask for job reductions. However, the union distrusted Marano and other managers, believing that once they finished streamlining processes they would lay off union workers or hand their work over to non-union labor.

The union had other reasons to doubt Marano’s sincerity. Management made many prior decisions unilaterally -- decisions benefiting the company at the expense of union workers. Perceiving Marano to be insincere, union leaders refused to cooperate in meetings for planning the changes in the workplace.



Within the limits of their contract, union members slowed down their work, which stymied Marano's efficiency initiative. Only after directly addressing the unions' concerns and demonstrating their sincere intent to build collaboration were Marano and his managers able to elicit commitment and involvement from the union members. This allowed for levels of partnership, teamwork and productivity that were considered exemplary within the industry.

## Courage and Resolve

Everyone may understand a strategy. However, they won't get on board if they believe leaders and managers aren't deeply committed to achieving it, including dealing with the real issues facing the organization and staying the course in resolving them. They will go through the motions rather than lean in and help overcome inertia.



Worries about courage and resolve play out differently at varying levels of a company. At the senior level, the leadership team may worry that the CEO will not be open to tough conversations or make difficult decisions on *strategy* (e.g., killing off unprofitable products or business units), *personnel* (e.g., removing incompetent, unproductive or uncooperative senior or middle managers), *resources* (e.g., making necessary investments in technology or training and development) or *corporate politics* (e.g., challenging the entrenched bureaucracy).

John Parro, head of the real estate division of Harris Bank in Chicago, faced this problem in 2000. His manager in charge of design and construction was unsupportive of Parro's approach to a cost-cutting initiative. The manager thought his competence and popularity would shield him from having to get on board. Parro had to demonstrate to his people that he could make necessary but difficult decisions, one of which was to fire the manager for his non-compliance after repeated attempts at coaching. After he did it, employees "got" Parro's resolve about making the initiative successful.

The ability to get people the resources they need and to eliminate obstacles to their success can go a long way toward generating their commitment. In 2002, when Capital One, a fast growing financial institution heavily reliant on reputation-sensitive capital markets for funding, disclosed that its federal banking regulators had concerns about the company's controls and governance, the firm's treasury department acutely felt increased pressures in funding the company. Rating agencies and investors reacted negatively to the disclosure, making it more challenging to secure the funding necessary to keep the company's credit card business growing at a double-digit rate. "People around the company thought we were exaggerating the challenges we faced in the markets and were becoming obstacles," remembers Steve Linehan, senior vice president and head of treasury. "I guess I could understand their view because we had always found a way to fuel our enormous growth in the past despite our below-investment grade ratings and relatively short track record. The reality was this had become a different ball game." The criticism only heightened the frustration of his associates, who were working 70-80 hour weeks with, in their minds, little appreciation of their efforts (including compensation) in the face of significant challenges.

To get his associates behind the initiative to improve their situation, Linehan first had to demonstrate his commitment to their well-being and his resolve in correcting inequities in workload, compensation and incentives. In an environment full of corporate initiatives to contain costs, Linehan took his headcount issues directly to Capital One's CEO Rich Fairbank. "Rich OK'd my request in a nanosecond; he wasn't about to let a dozen



FTE's get in the way of putting billions of dollars of great business on the books," says Linehan. Even though addressing compensation strategy would take the better part of a year to complete, Linehan's people were more willing to get behind his improvement initiative because he had the courage to address a contentious issue and the resolve to get the resources necessary to alleviate the workload problem. (See sidebar, "How Capital One Turned Around its Treasury Group in a Time of Crisis.")

Despite the CEO's pronouncements on the critical need for change, middle managers are likely to fear that senior leaders will not "walk the talk." They worry that their bosses will opt out and not be admonished for it because of internal politics and a culture that doesn't hold people accountable. That makes it unsafe for employees to raise difficult issues – the real stuff that challenges the politics, norms and organizational status quo.

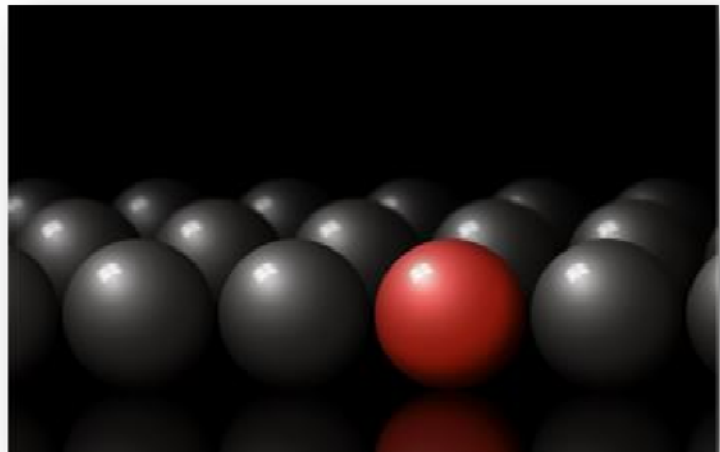
In addition, failed change programs of the past will dent people's beliefs about the resolve of their leaders and managers *this* time. Despite leaders' repeated declarations about their commitment to this change effort, people will remain skeptical. The mugs, pens, posters and other motivational accoutrements that the organization has purchased will be seen as a sure sign that this too shall pass.

# Competency

Even if people believe their company needs a new direction, many will doubt their leaders' ability to execute it.

Senior leaders may feel colleagues lack the competence to lead their respective units in the new direction. **The result:**

They will look out for themselves, strengthen their empires, avoid collaboration and become emotionally resigned.



This held back the executive team at Manufacturers' Services Ltd., (MSL) a contract electronics manufacturer, from working together to improve the company's flagging performance in 1999. At the company's Arden Hills, Minn., factory, manufacturing and engineering functions viewed each other as incompetent, the result of long disputes over who was at fault for customer dissatisfaction. Engineering built prototypes for customers that manufacturing managers believed were too complex (and therefore too difficult to build with consistent quality). Engineering believed manufacturing would only be satisfied with products that required little or no thinking and effort. When customers complained about quality or shipping delays, each group pointed fingers at each other, often times resulting in the loss – or certainly the dismay – of that customer. “With each side doubting the other's competence, we had a dark outlook on our future”, says Margit Elo, vice-president and general manager at the plant from 1999 to 2001.



Middle managers will constantly question the directions they are given from above and blame breakdowns and inefficiencies on their bosses' lack of competence. Their workers, in turn, will spend significant energy complaining about ineffective leadership. This dynamic will lead to a growing sense of victimization, which will further undermine the change effort.

## Care and Concern

Everyone may believe the above three conditions – leaders' credibility, competence and courage -- are present in their company, business unit or division. However, they must also believe that they will personally benefit from participating in a change effort – financially, developmentally, in their ability to contribute and be recognized. People must also feel that management cares deeply about them on a human level in order to commit fully to the initiative.



Typically, we find that leaders and managers assume that what's compelling to them – improvements in revenue, cost, time-to-market, shareholder returns and other aspects of organizational performance – will also be valued by employees. If only it worked that way. In fact, very often employees at all levels of the organization – including leadership team members themselves – do not feel the connection between organizational gain and their personal investment and benefits. They may, in fact, believe the new initiative will be to their disadvantage.

This was the case in the late 1990s at Avaya's indirect channels business. Edison Peres, the head of the business, was trying to get his group behind a goal of rapid growth. At a celebration of year-end results in which the group had collectively surpassed its objectives, salespeople complained their paychecks didn't reflect the unit's success. Some even felt that Peres was more interested in his own success and less in theirs. Morale waned. Sales growth slowed. In an open session, these issues came to light. That enabled Peres and his managers to clarify their objectives and adjust the compensation structure to ensure their employees felt valued and cared for.



The more individuals feel management values them as people and not as a “means to the end,” the more they will commit to the strategy. Leaders will get behind a new initiative only if they see themselves personally benefiting (promoted, favored by the CEO, etc.). If they do not, self-promotion, turf protection, politics and defensiveness take over. To turn around the performance of his unit, John Parro of Harris Bank in Chicago had to show he truly cared for his people. Having watched colleagues get laid off before Parro took over the bank's branch construction and maintenance division in 1998, employees were deeply suspicious of his turnaround plan. Those fears were fanned by Parro's management style. In a dispute between the real estate unit and one of its internal customers, a manager who reported to Parro thought his boss had automatically sided with the customer. After the anger about this incident was mentioned to Parro, he realized how he was eroding the context ingredient of “care.” “I hadn't realized the impact of the way I was acting on the mood of my organization,” he says. Parro apologized to the manager, one of several spirit-enhancers that helped the unit cut costs by \$20 million over two years.

Concerns about the personal impact of a change initiative play out somewhat differently at each organizational level. Senior executives wonder whether the initiative will increase their opportunities in the organization. Those who see fewer opportunities (especially in relation to others) will withhold their commitment. Middle managers will often feel their input is not being sought. They are closer to the day-to-day challenges of implementing the changes, yet they feel burdened with the egos and turf issues of leaders who they believe do not understand the difficulty in making those changes.



# How to Address Content and Context Issues

From our experience, leaders who have tackled change initiatives by following these four basic steps have been able to generate strategic commitment.

## Step 1: Taking Stock of the Current Reality and Aligning on the Need for Change

*Creating a strategy and building organizational commitment to it must begin with the leadership team. Before defining a new direction, the leader must get his direct reports to see business conditions and the need for significant change in a similar manner.*



Based on the principle that lasting change can only be built upon a solid foundation of “facing reality,” this alignment is a prerequisite for moving ahead. Surprisingly, we often find that leadership teams are not on the same page about the degree of change or urgency needed. Yet they forge ahead ignorant of the predictable re-work, misdirection, miscommunication and other counter-productive consequences of the lack of alignment. For example, a major IT



reengineering project at Capital One was in its sixth month with little progress when Rob Alexander, strategy head of one of Capital One's largest businesses, took it over. Despite having a well-established project management office, he found no one had an answer for the simple question: What were the specific objectives of the project and how far along were they in achieving them? The result: diffused energy, an inability to measure progress, and wasted time talking about a plan that wasn't there. Although it took several weeks for Alexander and his team to clearly answer the question, once they did the activities of everyone working on the project became much clearer. By establishing better metrics, they were also able to measure their progress, which quickly accelerated. In addition, the leadership team's clarity and alignment enabled it to make significant changes in project direction without losing momentum or morale.

In addition, it is not unusual to find unhealthy dynamics among leadership team members. They must be addressed at the outset. Executives may privately doubt the competency of their peers. Often, they aren't straight with one another (an issue of *sincerity and courage*), fearing that if they start pointing fingers, fingers may be pointed at them. Not willing to confront fundamental problems (an issue of *courage*), executives stay in their functional silos and make half-hearted commitments. In essence, their thinking is, "These aren't the people I'd choose to run these functions. I'm stuck with them, so I need to make the best of things in my area and look out for myself."

The executives at MSL's Arden Hills plant did not have much respect for each other's capabilities. Only when they were able to put their views on the table were they able to shift their turnaround initiative into high gear. In a session in which heads of manufacturing, engineering, marketing, sales and other functions expressed their displeasures with each other's competency, pent-up emotions overflowed. "Everyone who participated in it came to me afterwards and said it was the most cathartic thing they've ever been through," says

Margit Elo. At the meeting, each executive had to express how he or she perceived the others. After each pronouncement, the executive on the receiving end had to say, “Thank you.” Then the roles were reversed. The discussion surfaced a number of wrong perceptions. “They had to point out things that were getting in the way of the relationships,” Elo says.



The executive team owned up to their problem: that their facility was the poorest-performing one in the company, and that if it continued to lose money it would be shut down and their jobs eliminated. Quickly, the team began clicking. The defeatist, contentious culture evaporated, replaced by a culture of strong collaboration. The executives got behind Elo’s initiative to make the chronically unprofitable plant profitable within 12 months. In three years, they doubled sales and became the best-performing operation in the company.

To get executives to buy into the need for fundamental change, an unbiased and unvarnished assessment of their individual and collective views of the current content and context issues must be made. This “commitment audit” must examine the content and context issues at each level of the organization: the leadership team, the managerial ranks, and the entire employee population. Quantitative instruments can establish a baseline to measure the company’s progress on content and context.

The commitment audit gives the leadership team invaluable insights into the most significant content and context issues. At this stage, senior managers must own up to the problems identified in the audit. They may not yet agree on how to resolve them, but they must agree that the problems exist and must be addressed.

The CEO must take the lead in this initial step. When he owns the current condition, he can be sincere and courageous with his leadership team and the rest of the organization.

If team members feel the CEO lacked credibility and courage in previous initiatives, he must begin to change that perception immediately by admitting to past failures. This display of contrition will start dissipating an atmosphere of insincerity and distrust.

This was the case at Lucent's real estate division. Management and its major union (the Communications Workers of America) had to come clean on falsehoods told by each side. "It was the standard adversarial union/management relationship," said Jim Costigan, the former president of the CWA union local. In exercises that helped both sides clear the air, union workers and Lucent executives were asked to write down what they thought of each other – and what they thought the other thought of the other.

"Management said, 'The union perceives us as being secretive and disingenuous,' Costigan remembers. "I said, 'It's a nice word for lying.' Everyone laughed." Then a Lucent manager admitted they had told lies in the past. "A hush came to the room," Costigan says. Then Lucent managers explained why they had to lie occasionally: The information the union often wanted from management was confidential. Experience showed that giving union people such information but asking them to keep it to themselves rarely worked. "That's why we're secretive or at times disingenuous," the Lucent

manager said. “The light bulb went on at both sides of the room,” Costigan says.

This meeting helped Marano rebuild trust with the union. The CWA eventually agreed to workplace changes that helped cut more than \$100 million in costs, reduced the expense-to-revenue ratio to 2.5%, increased internal customer satisfaction levels to 95%, and improved employee satisfaction measures to better than 80%.

## Step 2: Crafting a Bold and Compelling Future

Many companies begin formulating their strategy at this point, skipping Step One. Others go through the motions without addressing critical context issues. By doing so, they dramatically curtail their ability to have truthful, vigorous, and unconstrained dialogue on the changes they need to make in the organization. They significantly reduce their ability to gain strategic commitment to a compelling future.



Mission statements, vision statements, strategic intent, purpose, credo, BHAG's (so-called big, hairy audacious goals) -- the labels for defining strategy, direction and organizational goals seem endless. And yet the poor track record of change initiatives says something is missing. To craft a bold and compelling strategy, the CEO and his team must address certain fundamental principles.

**With respect to the *content* of the strategy, these principles are:**

1. ***The leaders must clearly and simply state the “what” and the “how” of the strategy, and within what timeframe.*** In defining the “what” of the strategy, the leadership team must specify the results that will determine success. Answers to three categories of questions should vividly describe the firm's unique capabilities and the kind of future they are committing to building:

- What will we uniquely provide, deliver or impact? What will our unique capability and value be?
- What will be our distinct level of quality, performance or delivery?
- What kind of team will we be? What will uniquely characterize our internal culture and working dynamics?

Once the “what” has been established, the leadership team can begin to design the “how” – the milestones, initiatives, action plans and accountabilities necessary for fulfilling the end state. Too often, effective action is displaced by unproductive busy work. People get consumed with monitoring and defending volumes of work without differentiating what moves things forward from that which merely fills their schedules. While “work smarter, not harder” is a familiar refrain in today's world, CEOs and their teams are often ill-equipped to make this happen.

By clearly articulating the “what” and “how” of the strategy, leaders focus people on outcomes, not on activities. CEOs who establish explicit direction and outcomes give people unambiguous guideposts to focus priorities. While clear direction may seem like



Management 101, many organizations at all levels – even the leadership team -- suffer from significant confusion about strategy and priorities. This prevents management from generating strategic commitment.

2. ***The strategy must be bold enough to force the organization to be far more effective.*** It must require people to stretch themselves to a new level of performance. Generating clarity alone is not sufficient; being crystal clear about a direction that will deliver incremental improvements will not inspire people. Organizations that achieve excellence get people to commit to a future that is a breakthrough from the past. Their ambitious goals inspired innovation, the relentless pursuit of improvement and a drive for success.

In contrast, organizations with less ambitious goals saw the starting point for next year's strategy to be this year's strategy. Their improvements were incremental. They stuck to the segments, territories and opportunities they knew, even though the real opportunities might have been elsewhere. Lack of leadership courage produced a mood of stagnation, disappointment and apathy throughout the organization. When strategy and the process to create it perpetuate the status quo, employees disengage.



3. ***Everyone must see the strategy as valid and complete.*** People must

understand why it is needed and (at the outset) some idea about how they can help achieve it. They must also believe that nothing essential is missing or minimized. The strategy must be explicit enough so everyone is marching in the same direction, yet not so detailed that it prohibits individual creativity. Doing so

robs people of the chance to exercise their imagination. It also undermines the need for courage because the name of the game is following – not deviating from -- the rules. In Capital One's treasury department initiative, one goal was to create "strong and enduring partnerships" with the firm's lines of business. How they created such partnerships varied significantly by line of business, but the overall objective remained constant.



**With respect to the *context* of the strategy, these principles must be followed:**

1. ***Leaders must promise to achieve the goals of the strategy.*** An attitude of "we'll do our best but if it fails we aren't responsible" almost guarantees that it will fail. By making no promises, people will feel no personal or collective risk. Getting people to promise results –i.e., achieving specific goals in a definite timeframe, rather than focusing on tasks and activities -- creates a much more powerful attitude.

Getting people to promise an outcome will shape the way they view the task. They will not value "working hard" to achieve the goals ("working hard" a reflection of doing one's best); they will value "working smart."

Committing to goals that require everyone to play his part, they will make sure others are succeeding and dive in if necessary. **By promising** results, people become interested in everything and everyone who could affect the outcome.

When Avaya's Edison Peres asked employees to commit to grow the business 10-fold in four years to \$1.5 billion, everyone gulped at the goal. At first, they didn't believe it was possible. But after effectively addressing context issues, he and his team promised to achieve the goal. This helped create a culture of being an "unstoppable" team, a term that became their mantra. People worked together across regions, solved previously ignored customer problems, and followed through on items that they dropped in the past. Four years later, they surpassed their goal, generating \$1.7 billion in sales.

2. ***The executives must be in total alignment on the strategy – not merely consensus.*** Most CEOs attempt to get their leadership team on the same page about the direction of the organization by "building consensus." To accomplish this, the team often must water down the new direction to one that "everyone can live with," which ends up being the lowest common denominator. While this leads to consensus, it misses a higher standard – one of total alignment. Consensus promotes more of a mindset of following, and going along (having no objections), especially for those whose ideas and inputs were not incorporated in the solution or direction. While people may not actively undermine the direction, they are more likely to waiver when challenged by others or circumstances. Being in consensus can make people feel like victims of the process, believing that "if they'd only listened to me we wouldn't be in this position." Furthermore, it sets the stage for excuses when events go sideways.

Team members in total alignment fully own the direction regardless of whether they had direct input into it. Total alignment can only be achieved when there is a team environment of real trust and open communication, and people can freely speculate, challenge and subordinate their agendas for the common good. As a result, they feel like authors – not readers -- of the strategy. They view bumps in the road not as reasons to exit it but as opportunities for improving the strategy.



During Step Two, consultants can provide valuable input into the content of the plan. They can help executives see the current reality – of the competition, the state of technological change, the pending impacts of regulatory change, how customer needs are shifting, and so on. Industry expertise and how to compete in it, a business process and how to design it, or a new information system and how to build it are often necessary for the top management team to bring in.

After all the input is taken, the executive team must own the new direction unconditionally. If they outsource the strategy completely, their challenge of generating strategic commitment significantly increases (see Challenges in Addressing Content and Context). As famed behavioral psychologist Abraham Maslow once observed, people usually do not commit to a program imposed on them by management. But they will commit to programs that they have helped create.

## Step 3: Generating Organization-Wide Strategic Commitment

By this point, the leadership team has embraced a compelling future for the organization. Team members have made strides in changing context issues. Their next challenge is propagating the message across the organization.

They must expand the base of strategic commitment with the next layers of management. These managers are pivotal because they determine the day-to-day actions and spirit of frontline employees. Their commitment to a new strategy will ultimately determine whether it works.



The leader and his team begin the process by ensuring that the next layers of management see their commitment to the new direction. Leaders must address both content (especially the validity of the strategy) and context issues. Specifically, they must address the inevitable concerns (spoken or unspoken) about how this effort will differ from those of the past. Rather than whitewashing issues of doubt and skepticism, leaders must spend the time necessary to convince managers of their sincerity, courage and concern for individuals.

This cannot be done by sending a memo or a slide deck. It requires the leader and his team to have a robust discussion with middle managers about the content of the strategy and address context issues as well. This cannot be

outsourced to the HR or communications departments. These functions can support the creation and delivery of the content. However, the communication must come from, and be fully owned by, the leader and must be expressed in his personal style. Even after the initial “unveiling” discussions, the CEO must have two-way dialogues with all parties to continuously update the content and address issues of context.

Handing off “change management” or commitment tasks to HR will erode the leader’s credibility and sincerity. The head of HR can say all he wants about the CEO’s resolve. But it doesn’t carry anywhere near the weight of the CEO demonstrating it himself.

Managers must be told the truth about why the changes are required, what the likely outcomes will be (including layoffs, if they’re likely), and what will be decided at a later date. This is about full disclosure. Without it, managers will withhold their full commitment. They will resign themselves to, at best, “going along with the program.” Any sign of hidden agendas, failures to disclose important facts, and outright lies – even over small issues – will diminish the trust of the leader and his team.

Because compliance is often disguised as commitment, the CEO must exercise vigilance at this stage. He and his team must not settle for mere compliance. It will only haunt them later. As they convey the new direction, managers will listen through very discriminating filters: “How will this initiative differ from previous ones?” and “Will the leadership team have the courage and resolve to address real issues this time?” The CEO might have to own up to past false starts or failures, even if they happened under someone else’s watch. He must demonstrate that he recognizes what happened and how it eroded people’s faith in the firm’s leadership. He must make the case that he is committed to, and competent at, ensuring history does not repeat itself.

Managers need to feel safe raising issues, no matter how contentious – especially about the CEO and his team. If leaders are defensive, dismissive or act punitively, they will destroy the gains made in improving the context issues. Eighteen months into Tony Marano’s change initiative at Lucent, he almost squandered in a single meeting the strategic commitment he had built for months by acting this way. In a meeting with his top 75 managers to discuss the next steps in executing the productivity improvement program, he became defensive when a few managers criticized the way he was handling a personnel issue. They felt Marano had bypassed them by talking directly to their employees. “I almost lost it,” says Marano. “At first, I was irritated that people felt they could freely criticize me, their boss. But I quickly recognized that their courage to speak honestly was in fact a direct outcome of the great progress we had made in pursuing our strategic objectives. I swallowed my pride and apologized for my defensiveness.” The tension in the room vanished quickly, and his managers’ frustration dissipated. Everyone was once again eager to listen with interest to what Marano was saying. This nearly disastrous incident actually strengthened the team’s commitment to the improvement program.



To keep managers and employees on board the initiative, they must trust that the CEO and his team will live up to their commitments. They must feel that if they devote themselves to this effort they will not be let down. With most large-scale change efforts, there are areas in which the CEO and his team do not have all the answers. This does not necessarily undermine commitment; it is undermined when people believe leaders lack competence but are too arrogant or insecure to admit it, ask for their help, or otherwise gain the necessary expertise.



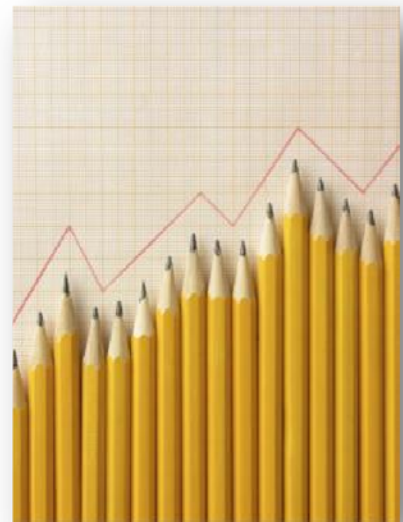
Besides understanding the scope and rationale of the change initiative, managers must believe they will have meaningful input into it and that their contributions will be valued. Although these are the early stages of engaging everyone in the new direction, they are critical to generating a strong partnership between the leadership team and the managers.

Getting managers to truly commit to the strategy is a major milestone in the change initiative. The CEO must now give managers the tools with which they can create the same dynamics within the employee population. To do that, the managers must adhere to the same principles of addressing both content and context issues with their people. They must ensure employees clearly understand and see the validity of the new strategy—its content—and how their jobs and functions contribute to it.

## Step 4: Sustaining and Increasing Strategic Commitment

Once leaders craft a compelling future and begin inspiring the organization to embrace it, they must sustain momentum. To rigorously manage the “content” of the new strategy, there is a wealth of project management tools that can improve planning and execution. However, they do not address the issues of context.

To sustain and increase commitment, leadership must lead by example -- first by ensuring they resolve their key issues of context and view each other as credible, courageous, competent and caring. They must not slip back



into familiar but counterproductive behaviors. They will be under constant scrutiny by managers and employees. Doubts about their individual or collective sincerity, courage, competency or concern for the workforce will undermine the initiative.

The leadership team must honor the same principles it used to craft the strategy. They must structure execution activities clearly with time- and result-based commitments, leaving no ambiguity about measures of success. Each commitment must have a singular, accountable owner who makes a clear and unconditional promise to the outcomes.

All commitments – large and small – must be consistently managed, tracked and followed through. This is no small task. People often say one thing and do another, rather than clarify what they promise and thoroughly account for those promises. No wonder people commonly refer to talk as cheap. Without follow-through, people will conclude that leadership is insincere or lacks resolve or competence.

Changing conditions during an initiative often require leaders to reexamine the content of the strategy. One type of changing conditions will challenge *how* the goals should be achieved. Examples include a bad quarter, a labor dispute, or a systems failure. The “what” of the strategy should not be altered, because it was initially created to fulfill strategic choices the leadership team made (which may have been influenced by the above conditions) about the organization’s unique capabilities and ambitions. If people doubt the “how” or their ability to execute it, the leadership team should focus on improving performance rather than compromising the strategy itself.

The second type of changing conditions challenges the “what” of the strategy because it questions the conditions on which the strategy is based – i.e., the answers to the initial questions in Step 2. Conditions that could precipitate a revision in the strategy include entering a new business or exiting an existing one (including a merger, acquisition or divestiture); significant changes in the regulatory, economic or technological environment; or considerable changes in organizational leadership, governance or ownership.



Employees lose faith when leadership teams change their direction too frequently. If the strategy must change, the leadership team must, as they did in Step Two, quickly gain total alignment around the new direction. Once they are aligned, they must communicate effectively about the rationale for the validity of the changes. Even more important than the first time around, they must fully address undermining beliefs of employees or managers about the reasons for the change. Doing this rapidly and effectively will be a strong indicator of their resolve, courage, competence and care.

In mid-2000, after making significant progress in his change initiative, Tony Marano and his team faced an industry-wide crisis that required drastic outsourcing measures within their real estate operation. (The telecommunications equipment market had collapsed as the dot-com bubble burst, forcing companies like Lucent to make dramatic cost reductions.) Building on the strategic commitment he had established in the labor force, he secured the union executive’s help in creating a plan to outsource certain jobs to non-union organizations. The union and Lucent Real Estate management held sessions in every location. Facilitated by managers and union leaders, the

sessions gave employees clarity about the new direction and sent a clear message that union and management leaders were working together to minimize the impact on union employees. The collaborative spirit of this process allowed Marano to fulfill his corporate obligations and maintain strong relationships with his union counterparts.

Monitoring the levels of commitment is essential as implementation proceeds. The CEO and his team must distinguish commitment from compliance, because as we said earlier, they often look the same but result in entirely different actions and behaviors. CEO's must be close enough to their managers and employees to sense the actual behaviors as well as the underlying sentiments and "hallway conversations", which indicate the genuine levels of ownership, commitment and accountability.

The chart below illustrates the hallway conversations, sentiments and behaviors typical when the key dimensions of content and context are missing.

	Missing Elements of Content and Context	Impact on conversations and behavior	Impact at Different Organizational Levels		
			Executive Team	Middle Managers	Employees
Content	When Clarity is in question	Flavor of “hallway” conversations	“We’re not aligned on where we’re headed”	“They can’t even agree on where we’re headed”	“The guys upstairs have no idea where we’re going”
		Sentiments and Behaviors	Conflicting agendas and recurring conflicts	Juggling multiple conflicting requests from above; confusion, irritation	Conflicting priorities, fire drills, frequent changes, frustration
	When Validity is in question	Flavor of “hallway” conversations	“Why are we pursuing this direction? Is this really the right strategy?”	“This doesn’t make sense. They never ask for our input.”	“They don’t understand what’s going on around here – they are really disconnected”
		Sentiments and Behaviors	Lip service, constant revisiting of decisions, tension and uncertainty	Hesitant compliance, minimal conviction, growing resentment	Grudging compliance, do what you’re told, increasing apathy and cynicism



Context	<b>When Credibility and Sincerity is in question</b>	Flavor of “hallway” conversations	“We’re not honest with each other – nobody puts all their cards on the table”	“I don’t trust these guys. They always have a hidden agenda.”	“They never tell us what’s really going on --- and we’re the ones who will suffer, not them.”
		Sentiments and Behaviors	Caution, cover your ass, avoid tough issues, point fingers when things go wrong	Guarded compliance, continually looking for the hidden message	Going through the motions, cynicism and distrust
	<b>When Courage is in question</b>	Flavor of “hallway” conversations	“I’m not going to be the first to fall on my sword or make waves.” “I won’t call them on their stuff if they don’t call me on mine.”	“These guys don’t have the guts to be straight about the real issues. All they care about is their own empire.”	“It’s dangerous to tell the truth around here because you’ll get in trouble. Just lay low and don’t rock the boat.”
		Sentiments and Behaviors	Paralysis by analysis, half-hearted commitments, silos, politics, risk aversion	Cover your ass, positioning, gamesmanship, frustration and cynicism	Cover your ass if something goes wrong, fear and cynicism
	<b>When Competency is in question</b>	Flavor of “hallway” conversations	“These aren’t people I’d choose to run this firm. I’m stuck with them so I will make the best of things and look out for myself.”	“They have no idea what it takes to get this done. They only care about status and position.”	“If these guys knew what they were doing, we wouldn’t be in this mess. They’re getting big bucks and we’re getting screwed.”
		Sentiments and Behaviors	Taking care of silos and people, turf protection, distrust of other silos	Going through the motions, resignation and frustration	Doing only as much as is absolutely required, cynicism
	<b>When Care and Concern is in question</b>	Flavor of “hallway” conversations	“I’m only going to invest myself if I get favored or promoted out of this.”	“Here we go again: My input is not being sought, our contributions are going unnoticed. Nothing will change anyhow.”	“What’s the point? They will benefit from this and our lives will get harder and more stressful.”
		Sentiments and Behaviors	Self-promotion and turf protection, politics and positioning, defensiveness & anxiety	Trying to figure out “What’s in it for me?” Uncertainty and fear	Avoiding rocking the boat to not be noticed, fear and self-preservation



As is the case with any sizable initiative requiring new behaviors that challenge people's habits and norms, setbacks are inevitable. How the leadership team deals with these setbacks will either strengthen or undermine commitment. The natural reflex is to point fingers and focus on what went wrong. This creates an environment where people keep their heads down, avoid risks, and increasingly play the compliance and "cover-your-ass" game. In other cases, people react by jumping too quickly into seemingly obvious solutions, producing cynicism in those tasked with repeatedly reworking fixes that never address the root causes of the problem.



On the other hand, CEOs who respond to setbacks by finding out the facts without assigning blame, keeping people focused on the objectives and vision rather than the circumstances of what went wrong, and using the setbacks to correct root causes end up with growing levels of strategic commitment.

# Increasing the Returns on Leadership Investments

For an organization's leadership team, putting as much energy into resolving context issues as they do resolving content issues may seem like an exercise in excess. We believe the opposite: that leaders' investment in a strategic initiative will generate a much higher return if they attend well to context issues and generate commitment to the strategy.

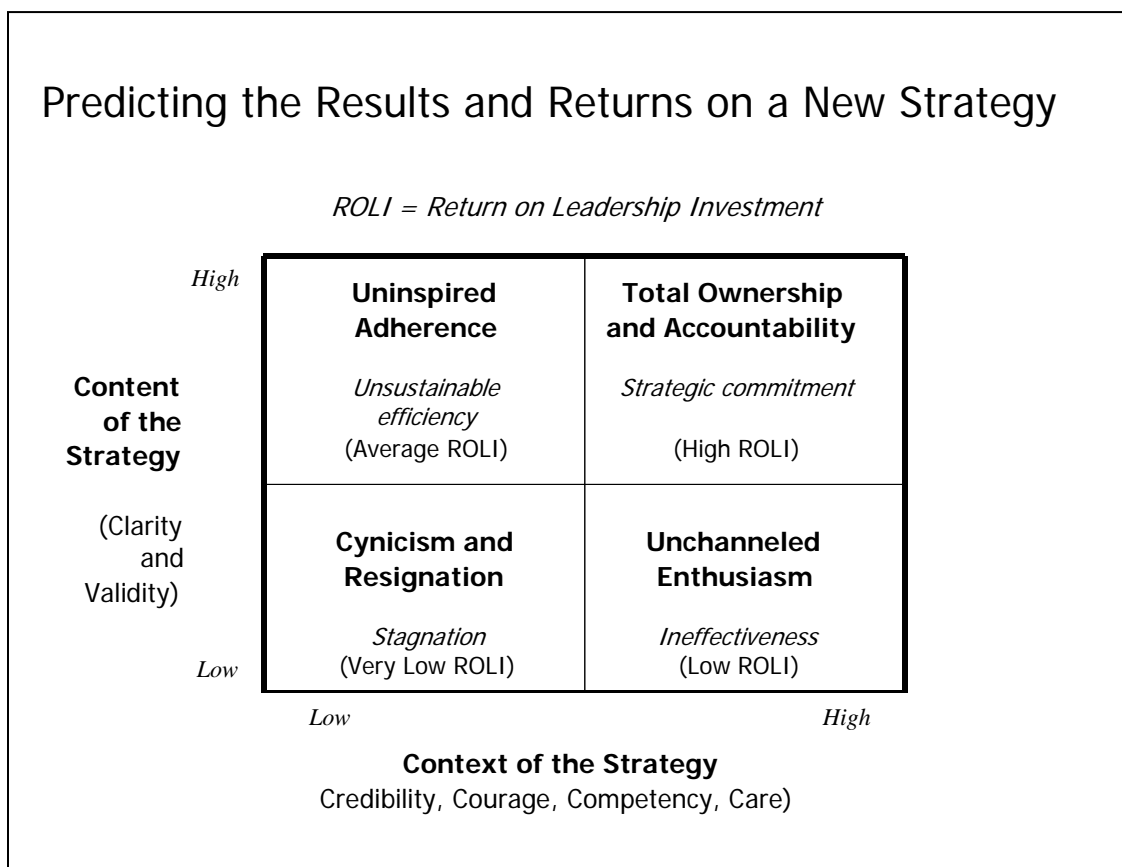


One way to think about this is by looking at the investment and returns on a strategic initiative in one of four scenarios, each of which varies by the degree to which content and context issues have been resolved. (See Exhibit: “Predicting the Results and Returns on a New Strategy.”) The worst scenario is the one in which both content and context issues are poorly resolved – that is, the strategy's clarity and validity are weak, and people's perceptions of leaders' credibility, courage, competency and care are low. This scenario is likely to spawn a highly cynical and resigned workforce. In that environment, a strategic initiative is headed for stagnation. The return on leadership's investment – call it ROLI, for short – is very low.

An organization that resolves the context issues but generates weak content for its strategy produces a sense of unchanneled enthusiasm – excitement about going down a path that eventually leads to nowhere. Of course, that scenario ultimately ends in organizational ineffectiveness. When the content of the

strategy is strong but context issues haven't been addressed well, employees merely comply with a good plan that doesn't turn them on – a condition we refer to as “uninspired adherence.” Many performance improvement initiatives fall into this category. They succeed at some level, but the returns are not nearly as great as those generated when an organization is in a state of strategic commitment.

In strategic commitment, both the content and context issues are strongly resolved. People feel total ownership of, and accountability for, the strategy. Their strategic commitment to the initiative generates the highest return on leadership investment.



# Why Strategic Commitment Will Become Only More Important in the Future

The strategic commitment generated by Avaya, Capital One, Harris Bank, Lucent Technologies and Manufacturers' Services figures to become only more important in the future. However, it will also become far more difficult to achieve.



The ability to quickly adapt to new market realities is separating winners and losers in the marketplace. Whether those realities are new global competitors, new technologies, changes in regulations, or shifting demographics or consumer tastes, companies that change their direction first and best will survive and succeed. The signs that change is accelerating are everywhere. Failures of once-mighty companies seem routine (see Enron, Kmart, Worldcom, Adelphia and many others). The turnover rate of CEOs is soaring; those who became CEOs after 1985 were three times more likely to be fired than those hired before that year<sup>iii</sup>. The last few years have been especially unkind to company leaders. Forced exits of CEOs at major companies soared 70% in 2002 from the previous year.<sup>iv</sup>

Many believe that being able to pick the right direction for an organization will not be as important as the ability to get the organization moving in some

direction. As Larry Bossidy, Allied-Signal CEO and the author of the best-selling book “Execution,” put it: “At the end of the day, you bet on people, not on strategies. Strategies are intellectually simple; their execution is not. Your strategies will not make you a better company. ... The question is, Can you execute? That’s what differentiates one company from another.”<sup>v</sup>

But the central component of “executing” is generating the willpower of people – not just their compliance – to take the journey with you. Many executives believe the days of securing employees’ commitment to their work are over, a relic of a distant workplace that once offered job security. They point to research showing low job satisfaction and high distrust of managers, both of which are at record rates.<sup>vi</sup> In fact, surveys that try to measure employee commitment show frighteningly low levels of it. Gallup’s estimate is that less than a third of U.S. employees are “engaged” in their jobs.<sup>vii</sup>

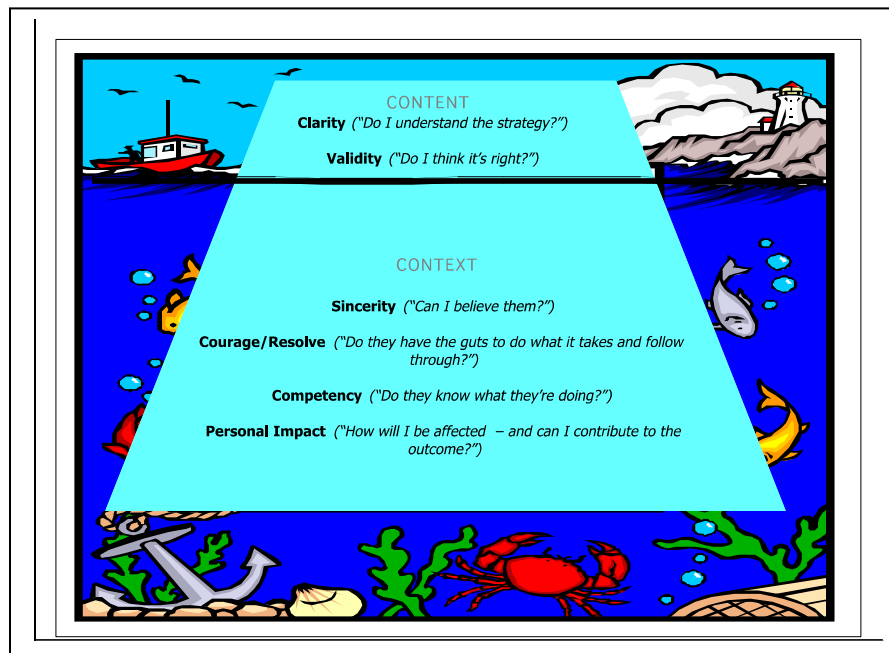
This is a tragedy, not only because commitment is so vital for superior corporate performance. It is critical because the commitment of people in every organization is just waiting to be “turned on.” Like love, most people have a built-in capacity for commitment. They actively seek it in the companies they join, only to have it diminished by poor leadership. Tapping into that wellspring of commitment does not mean having to build it from zero. It’s about rekindling or elevating what’s already there.

Using a rowing analogy, organizations will need to get their people paddling hard – not merely going along for the ride or, worse, paddling in the opposite direction. As Jack Welch, the legendary ex-CEO of General Electric, said recently: “We live in a global economy. To have a fighting chance, companies need to get every employee, with every idea in their heads and every morsel of energy in their bodies, into the game.”<sup>viii</sup> The need for strategic commitment will only grow stronger.

# Sidebar No. 1: Why Leaders Ignore Context Issues

In our experience, most leaders understand the need for employee commitment to their strategies. Yet very few of them are aware of the impact of context issues on commitment. Why?

First, most leaders are blind to context issues. Using an iceberg analogy, content issues are the visible ones, the ones over the waterline (see graphic). Context issues, on the other hand, are submerged and thus invisible without the proper lenses. And like icebergs, with more of their mass underwater than above, context issues have a greater impact on commitment and behavior than content issues.



Second, what managers have been taught for years to be characteristics of strong leaders often actually undermines the commitment of their followers. (See next section on “Challenges to Addressing Content and Context Issues.”)



Third, dealing with issues of context can be uncomfortable for leaders. It can even threaten their ego and status. Leaders may fear that attending to such matters – many of which are about employees' attitudes toward them and their teams or about managers' beliefs about each other – will be perceived as a sign of leadership weakness. Leaders who believe their job is to inspire people's confidence in management and a new strategy may be especially reluctant to raise the touchy issues of context. The CEO who lacks self-confidence will not want to put issues about his and his team's competence, resolve, sincerity and intentions on the table. Even if he believes he is aware of his shortcomings and how others view him or his team, he will fear that dealing publicly with such issues will expose his weaknesses and reduce people's confidence and respect.



Fourth, many leaders and managers believe they should not have to ask for people's commitment. They come from a school of thought that employees are obliged to execute an order when a boss issues it. It's a belief to the effect of, "We shouldn't have to beg you to get on board. That's what we pay you for. This isn't a democracy. As soon as you understand the rationale and valid business reasons for this change, you should be fully behind it." These leaders also believe that the more they pay people, the more committed they will be. They fail to understand the difference between behaviors based on compliance and those based on a genuine desire to achieve something of significance.

Providing incentives is only one part of the equation. If people do not feel their leaders are sincere, courageous and competent, they will default to compliance and pretense no matter how much they are paid.

Fifth, employees and managers believe that voicing such issues could get them into trouble, especially in an environment where they doubt the willingness of leaders and managers to face and address the real issues. Challenging context issues can result in people being labeled as “not on board with the program.”

## Sidebar No. 2: Leadership Traits That Erode Commitment

Much of management literature on leadership gives executives wrong ideas about how to generate commitment. When the leader of a change initiative believes his role is to be lead visionary at the company, he can take that to its logical excess: feeling responsible for coming up with all the details of the strategy. But that often means the leader will exclude others from shaping the strategy without even noticing it. That will discourage people from embracing the strategy and produce mere compliance.



Leaders often believe that too many participants will prolong the process and dilute the clarity, validity and relevance of the work product. Therefore, they put the creation of the content of the strategy in the hands of a trusted few (often the strategy group or a selected group of confidants), and share the final product with those charged with execution once it is done or almost done. The CEO of one of the firms we worked with, for example, believed the optimal group should be the heads of his five business lines, and that the heads of the

support functions should be excluded. His firm belief was that the HR, IT, Finance and Legal department managers would have little to offer in the strategy conversation, and in fact would impede progress. Over time, however, he became frustrated that these managers were executing the strategy too slowly.

This CEO's attitude is quite common. Such executives fail to realize the downside of keeping strategy development an exclusive process. The faster they generate the content, the slower they will resolve the context issues. Those who are excluded from the process feel disrespected. They find it hard to support the decisions, even if they don't express these sentiments. They view the strategy as "theirs" and not "mine."

Furthermore, a tightly controlled strategy process discounts the expertise these senior professionals could offer to ensure the content of the strategy passes the litmus tests of validity and relevance across the broadest possible spectrum of constituents. The CEO mentioned above added the heads of the support functions to his strategy-development team after realizing that they could make significant contributions. That sent a message to the organization that people were important and that the strategy development process was becoming more inclusive.

Excluding executives from strategy development also undermines the ability of the leadership team to operate with a shared purpose. This will become evident to lower-level managers and employees. Leaders and managers will appear insincere and lacking in resolve. In turn, that will slow down the pace of adoption.

When consultants are brought in to create or improve the content of the strategy, no matter how sound they may make it, the probability that people will relate to the strategy as “theirs” and not “ours” is even higher.

In fact, we’ve seen instances in which, months or even years into the execution of a strategy, it is still

referred to as the “X Consulting Firm’s” strategy. We’re not advocating the exclusion of consultants if they are needed. But giving consultants the exclusive task of creating the content will make it difficult for others to commit to it.



Every leader knows that supreme confidence is a key leadership trait for generating commitment. Yet in reality it can often undermine commitment. Leaders can unconsciously send signals that they have all the answers or aren’t open to input or criticism when parts of their strategy aren’t working, something that should always be expected.

Ironically, leaders who are brilliant communicators can also erode commitment. Employees may perceive leaders’ language as too slick to be believed, hence undermining sincerity and care. (See exhibit, “How Some Leadership Traits Diminish Employee Commitment.”) The more polished or packaged the message is, the less believable it will be. Instead of engaging employees, the leader will be seen as trying to sell his message.

HOW SOME LEADERSHIP TRAITS DIMINISH EMPLOYEE COMMITMENT		
Commonly Regarded Leadership Traits	How They Erode Employee Commitment to a Strategy	How They Could Increase Commitment
<b><i>Great vision</i></b>	Leader feels he must define the strategy and thus excludes others from it; results in it being “his” – not “our” -- strategy	Leader understands that his job is to get others to create the strategy <i>with</i> him, thereby allowing them to share its ownership.
<b><i>Supreme confidence</i></b>	Leader is convinced that he is right and that every aspect of the strategy is correct; employees feel he isn't open to feedback or criticism, resulting in cynicism and resignation	Leader understands that he must set the example for openness and humility by being vulnerable, listening genuinely and encouraging others to contribute.
<b><i>Brilliant communications</i></b>	Leader believes eloquence and polish are essential for winning over employees; employees see polish as a veneer masking a strategy they won't like, resulting in skepticism and suspicion	Leader understands that authentic communication, including admitting mistakes and when one doesn't have all the answers, is more important than slick presentations.

# Sidebar No. 3: Why Committed Employees Run Circles Around Compliant Ones

Many executives assume their people automatically will commit to a new direction or that if they won't, such commitment will not be necessary anyway. Both are dangerous assumptions. We find the first attitude stems from a view that compliance is the same as commitment. It isn't. To be sure, low levels of commitment do



not mean that people won't do their jobs. Fear of being fired for sub-optimal job performance is enough to motivate most people to do what it takes to keep their positions. We can assume the Pyramids were not built by what anyone would call an enthusiastic work force. Thus, tepid organizational commitment to a major change initiative will not inherently guarantee its failure.

**True commitment goes far beyond compliance. When people are committed, they behave differently in four important ways:**

- They invest their hearts in and become passionate about a cause
- They take on bold promises
- They follow through with extraordinary levels of tenacity and perseverance; they don't give up
- They genuinely care for others who are on the journey with them

A committed organization is one whose employees work harder to accomplish their tasks. It's a place where people anticipate problems and resolve them early, before they fester. Excuses are not tolerated -- only answers and actions to how problems are going to be fixed. People love coming to work. They're more productive, creative, attentive and aware.

Contrast that with an organization that lacks commitment. Its people don't take the new initiatives to heart. They don't ache for it or want it in their gut. If it fails, they don't lose sleep over it because they brush it off as someone else's fault. They detach themselves emotionally from its success or failure. By making few or no guarantees to deliver specific outcomes, they are less likely to see a personal role in making the initiatives happen.

Thus, the odds of success for an organizational transformation are much higher when employees exhibit strategic commitment. Not that it's easy to secure it. In fact, corporate scandals at Enron, Worldcom, Adelphia, Tyco and other companies in recent years have made it much more difficult to gain strategic commitment. A 2002 survey found that less than a quarter of Americans (23%) trusted managers of large companies. Another 2002 study found that the majority of employees believe their boss's honesty and ethics were low or very low.<sup>ix</sup>

Nonetheless, the companies mentioned in this article show that it is still possible for company leaders to get employees fully behind an initiative. As they demonstrate, the payoff from doing so is substantial.



## Sidebar No. 4: Getting Avaya to Embrace a 100% Annual Growth Rate

In 1997, Lucent Technologies Inc. was just a year from being spun out of AT&T. Once the internal communications hardware and software arm of AT&T, Lucent was in a whole new world in which it had to sell to other companies.

At the time, Lucent sold its telecommunications gear for enterprise networks largely through a direct sales force. It sold only about 10% of its products, or about \$135 million, to resellers, which in turn would tailor the Lucent offerings and focus on industry-specific niche markets or segments.



Back then Edison Peres was vice president of distribution development and management of this unit of Lucent, which by September 2000 was spun off as Avaya Inc. A good year would have meant a 20% increase in sales to resellers. That didn't satisfy Peres. His goal was to dramatically increase sales of Lucent products through "indirect" channels to more than \$1.5 billion by 2000. The more than 10-fold increase was not embraced by many internally, including his own sales force.

"In the first couple of months, people were fighting it, which means they weren't working to make it happen," says Peres, who is now vice president of technology, sales and programs for worldwide channels at Cisco Systems Inc. "They were telling me that the plan was unreasonable."

Thus, he didn't secure the commitment of the necessary parties to his ambitious plan right away. Through sessions focused on context issues, Peres found that most employees regarded 10-20% annual growth as commendable – not Peres' goal of 100%. "Most of our salespeople said, 'What do you mean you're increasing my quota 100%? How unreasonable is that?'"

Interviews with members of his organization revealed key perceptions about Peres and other leaders; about Peres' lack of resolve, specifically tolerating underachievers. Just how serious was he about achieving his goal? "I was results-oriented. But at the end of the day, if I had to choose between results or my personal relationships, I would choose my personal relationships and let them off the hook," Peres admits.

That had to change because employees would not embrace his initiative due to their private belief that Peres would not follow through. "A lot of these things are subconscious in the conversations people have," he says. "People thought that, 'Because they have a relationship with me, they don't have to work as hard.'"

Peres had to lay down the new rules with his team. "I actually had to go on record to my people and say, 'Listen, while I love all of you, the bottom line is that if these results don't come in and we don't work as a team, there won't be any personal relationships,'" he says. "I had to let them know that they couldn't rely on that for not doing what needed to be done. They were left with the feeling that they had to run a little harder. At the end of the day both the results and personal relationships got deeper."

By 2000, three years later, the initiative was a huge success. Annual revenue through indirect channels had topped \$1.7 billion -- while infrastructure costs increased by only a factor of four. Surfacing and then addressing the key contextual element of "courage" helped Peres generate significant commitment

among his people, commitment critical to success. Says Peres today: “I attribute our ability to succeed to the culture we developed.”

## Sidebar No. 5: How Capital One Transformed its Treasury Function

In July 2002, credit card innovator Capital One Financial Corp. disclosed that it had entered into a memorandum of understanding with federal banking regulators requiring it to strengthen its governance and control systems, as well as the capital base of its depository institution subsidiaries. While the company was in very solid financial health, and had a stellar track record of increasing revenues and profits, the event sent a chill through the investment community about the future health of the company.



Capital One stock fell from the mid 60s to the mid 20s in a matter of weeks. The cost of some of the funds it had to pay the capital markets increased significantly, potentially jeopardizing the company's ability to raise funds necessary to maintain its growth and liquidity.

Unlike other financial institutions that can reliably depend upon retail deposits for funds, Capital One relied heavily on the capital markets for funding. Therefore, employees within the firm's treasury group felt enormous pressure to deliver the funding required to support growth amidst a very unaccommodating and sometimes hostile marketplace. Years of investment in

treasury resources that did not keep pace with the company's growth and complexity further exacerbated the pressures felt by treasury employees. While they were doing their best to overcome this situation, they felt senior management did not understand the severity of the impact of these factors on their ability to deliver what was expected of them.

Elevating the performance of the treasury function would not be easy – at least, not until Steve Linehan, senior vice president of treasury, and the rest of his treasury leadership team addressed workload, headcount and related work-life balance issues of treasury employees. Linehan and his managers made commitments to improve working conditions in the treasury group – commitments that promised meaningful changes in 100-day increments.

After delivering on commitments over three quarters, treasury management agreed it was time to get their employees behind much bigger change. They created a two-year vision for treasury, one with that would provide a clear strategic direction to all employees and inspire them to achieve it. Over several intense working sessions, the leadership team drafted a clear and compelling vision for improvement, with specific measurable objectives in five key areas of focus.

In the ensuing months, treasury management met with all treasury employees to discuss the plan and the changes it called for in their departments. Managers acknowledged issues that they had ignored in the past. They also provided evidence of the work that had been done over the preceding months to address employee concerns about working conditions. Management engaged people in tailoring the plans to their departments.

Improvements over the following 12 months were dramatic. Treasury employees rallied to “fortify funding” (one of the key areas of focus), enabling the company to maintain a steady rate of growth. Employees in treasury

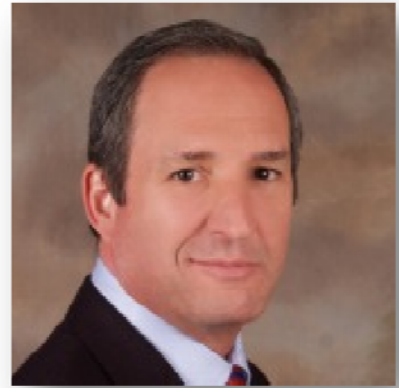
operations worked diligently to bolster process and risk management controls; investor relations employees worked closely with external parties, which helped upgrade the company's investment rating. Cash management employees streamlined their processes and reduced annual costs by more than \$4 million.



In aggregate, these changes significantly improved financial controls and helped Capital One demonstrate to banking regulators that it was on solid ground. In addition to enabling the company to continue securing the funds it needed to fuel steady growth, this stability contributed to banking regulators lifting the memorandum of understanding with the company.

Towards the end of the two-year timeframe, Linehan spoke at an all-hands meeting on the progress his department had made. “We delivered in a big way but not without taking a toll,” he told his people. “It was an extremely difficult time. In a way, you held the company up on your shoulders and you weren’t sure that but a handful of people really appreciated the situation and the work you were doing. But that period taught us a great lesson: that we can accomplish remarkable things if we work together as a group of committed individuals.”

# Bio



**Josh Leibner** is the founder of The Strategic Commitment Group, a boutique management consulting firm headquartered in New Jersey. He has more than twenty-five years' experience consulting Global 1000 corporations, and has designed, managed and delivered business transformation projects involving direct interaction with more than 100,000 employees at all levels, from boardrooms to shop floors, in North and South America, Europe, Africa and the Far East. Mr. Leibner has extensive experience in the design and facilitation of strategy development processes, executive team coaching and training, leadership development, cultural values design and integration, and large-scale employee engagement initiatives.

Mr. Leibner's experience includes being a founding partner of Quantum Performance Inc. He has worked within the financial services, telecommunications, automotive, food and beverage, entertainment, insurance and biotechnology industries. He has worked with AT&T, Campbell Soup, Canadian Department of Corrections, Capital One, Cisco Systems, Guinness Brewing, Intuit, Lucent Technologies, Ogden Waste Management, Panavision, Pfizer, Prudential Financial, Thomson-Reuters, the United Way, Zurich Financial Services, and many others.

In addition to his consulting work Mr. Leibner has written numerous articles on leadership and management including *Building and Restoring Trust*, *Chief Commitment Officer*, *The Four Myths of Strategy*, *Move Fast Now to Keep Your Best Employees from Bolting*, and *Are Your Executives Sabotaging Your Strategy?* He is co-author of the 2009 book *"The Power of Strategic*

*Commitment: Achieving Extraordinary Results through Total Alignment and Engagement,*” an Amazon Business Bestseller.

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<sup>i</sup> Research by Robert Kaplan (Harvard Business School professor) and David Norton, principals with the Balanced Scorecard Collaborative.

<sup>ii</sup> Many studies have noted the low success rate of corporate change programs. The Harvard Business School conducted one noteworthy study in the late 1990s. Prof. Nitin Nohria found that less than a third of the major change programs at Fortune 100 companies between 1980 and 1995 generated financial returns that exceeded the cost of capital. Only half the initiatives boosted the firm's share price. This was despite the fact that each company studied invested an average \$1 *billion* in their change programs.

<sup>iii</sup> A figure mentioned by management professor Warren Bennis in a roundtable discussion printed in *Sloan Management Review*, Winter 2001, "Leading in Unnerving Times," Winter 2001, Vol. 42, No. 2, pp. 97-103.

<sup>iv</sup> From Booz Allen & Hamilton's annual study of CEO succession trends. This figure was cited in a Booz Allen white paper, "The Four Bases of Organizational DNA," by Gary Neilson, Bruce A. Pasternack, and Decio Mendes, published in 2003.

<sup>v</sup> From an interview with Lawrence Bossidy in the *Harvard Business Review*, March-April 1995.

<sup>vi</sup> According to a September 2003 survey by the Conference Board of 5,000 households, morale of U.S. workers fell to a new low. Less than half (48.9%) were satisfied with their jobs, down 10 percentage points from 1995. And employees trust their managers less than ever, according to a July 2002 survey mentioned in the *Economist*.

<sup>vii</sup> From a 2003 poll by the Gallup Organization. Gallup said 29% of the U.S. workforce is "engaged," and 55% not engaged and 16% "actively disengaged in their work. It measures engagement by responses to 12 questions.

<sup>viii</sup> From an op-ed by Welch in *The Wall Street Journal*, "The 'But' Economy," Oct. 20, 2003, p. A16.

<sup>ix</sup> <sup>ix</sup>Poll by USA Today, CNN and Gallup, released in July 2002.