

Vertical Leadership Culture Transformation

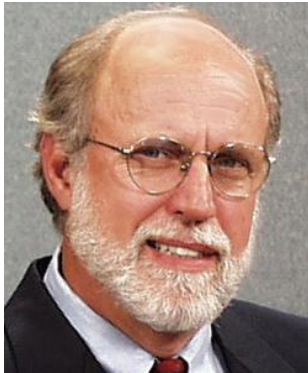
This innovation in the field of change, essentially reforms traditional change management methods, to be **consciously** driven through the senior team's Leadership Culture, Its beliefs and practices.

~

The Art of Change Leadership in Organizational Complex Challenges

John B. McGuire & Charles J. Palus

Principals – Vertical Leadership Culture Transformation Practice



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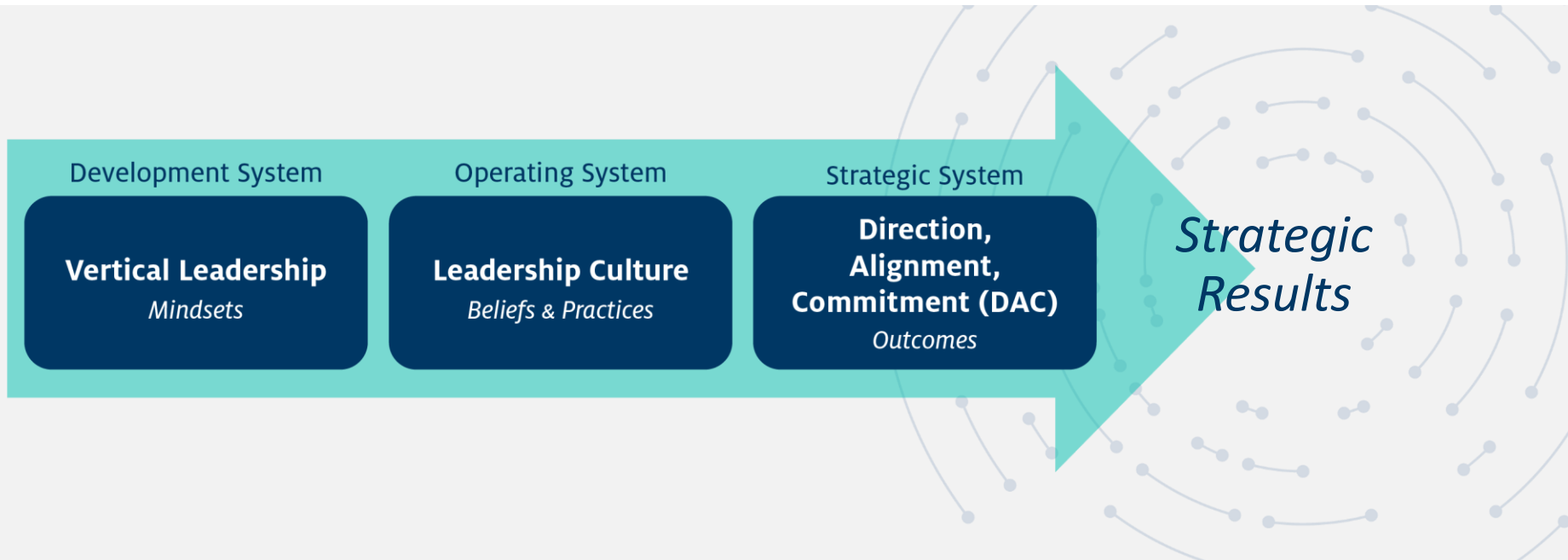
Vertical Leadership Culture

Executive Summary

A Systems View of Transformation



Vertical Leadership Culture is the Operating System of transformation



Vertical Development Is About *How* You Think



***Horizontal* Development**

- *Adding* knowledge and skills.
- Transmitted from experts.
- **It's about *what* you think.**



***Vertical* Development**

- *Growing* abilities to think and act in more complex, systemic, and interdependent ways.
- Earned through life experience.
- **It's about *how* you think.**

Strategy is the what.
Culture is the how.

*Our maxim is: If you want best practices, you need best beliefs.
Beliefs drive practices. Beliefs are embedded in cultures. And culture always wins.*

Vertical Leadership Culture: Shared Beliefs & Practices



- **Beliefs drive decisions.**
- **Repeated decisions create practices (behaviors).**
- **If you want best practices, you need best beliefs.**

Beliefs are about what is **true**

Values are about what is **right**

Beliefs are more changeable than Values

What behaviors do *beliefs-in-action* drive in your organization?

5 Outcomes of Vertical Leadership Culture work



Silo-Busting

Supply chain integration



Agile Decisions

Shared, smarter public learning



Enterprise Ownership

100% Responsibility



Dilemma Ready

Both/And Maturity



Complexity Capable

Interdependence

Case in Point: Industrial Company



The Challenge

Challenge: The organization had become too comfortable and were in danger of becoming irrelevant. Innovation had stalled, profitable growth slowed, poor time to market, market share at risk.

The Approach

- Engaged the executive team first.
- Used dialogue to put executives “themselves in the middle” for discovery learning. Key discovery: Organization too stove-piped, operational beliefs that everything was “good enough” and *could get no better*.
- Established separate operations and strategy sessions and established key performance metrics, including improvements in industry safety.
- Shaped leadership strategy in action development team prototypes
- Cascaded down to next 100 leaders, who subsequently cascaded to their teams. Leaders developed leaders.
- Whole organization transformation occurred, becoming client-driven across every function.

Impact



Profitable Growth



Customer and Employee Satisfaction



Coveted #1 Rank in the Industry for Safety

Tools

- CCL Leadership Culture Gap
- Dialogue & Fishbowl tools
- Beliefs in Action Workshops
- Action Development Implementation teams

Case in Point: Used Car Company



The Challenge

Challenge: The organization wanted to use a blue ocean strategy to transform from a used car company to a financial services company. Needed to change emphasis on selling cars to serving loans where customers have low income.

The Approach

- Engaged the executive team first. Stuck in technical mindsets.
- Identified that sales and finance were completely stovepiped. Customer interacted with each completely separately.
- Needed to fundamentally change belief that “we are a used car company.” Began taking a series of steps to change to a financial services company. Commissions were eliminated and sales staff put on salary.
- Through action inquiry, became tolerant of risk as tried new things.
- Whole organization transformation occurred, becoming data-driven with industry’s most accurate model for predicting loan failure and selling loan bundles on Wall Street.

Impact

- Digitally transformed, moved to internet commerce and integrated their operations end to end
- Improved profitable growth
- Became a financial services company selling loan bundles on wall street.
- Created industry’s most accurate model for predicting loan failure.
- Second largest used vehicle retailer in the United States with *a primary focus on the sale and financing of used vehicles and related products.*

Tools

- Global Leadership Profile
- Leadership Culture Map
- www.ccl.org/Transformations

Case in Point: Financial Services Company



The Challenge

Challenge: Traditional, long standing financial services organization currently restructuring the business strategy and business operations to break down silos and accelerate collaboration. Identified the need to shift the culture to one that is more interdependent in order to navigate the complexities of the organization and disruptions in the industry.

The Approach

- Engaged executive team to align the business strategy and the desired/required culture.
- Executive Team then involved the Top 80 leaders to refine the description of the behaviors required in the new culture.
- Change Champions Team formed to learn and apply new leadership practices in support of the new culture.
- Diffusion of new practices into everyday work (leader led approach).
- In parallel the Executive Team was introduced to Vertical Development to grow individually and as a collective team in service of culture change.
- ‘Practices’ developed included Dialogue, Reflection Practices, Polarity Thinking, Boundary Spanning.

Impact (“Work in Progress”)

- New practices being applied across the organization to support the culture shift
- Growing market share
- Progress in ‘targeted areas’ such as breaking down silos, risk taking, and creating psychological safety
- Improved indicators of collaboration and agility
- Increased engagement in business operations and innovation

Tools

- CCL DAC Framework and Assessment
- Leadership Culture Indicator
- Polarity Mapping
- Dialogue, Fishbowl, Thinking Rounds
- Team Reflection Practices
- Unpacking Beliefs and Assumptions
- Boundary Spanning Strategies and Practices
- Feedback
- Global Leadership Profile

Vertical Leadership Culture Our Complex Challenges

Leadership for an Interdependent World

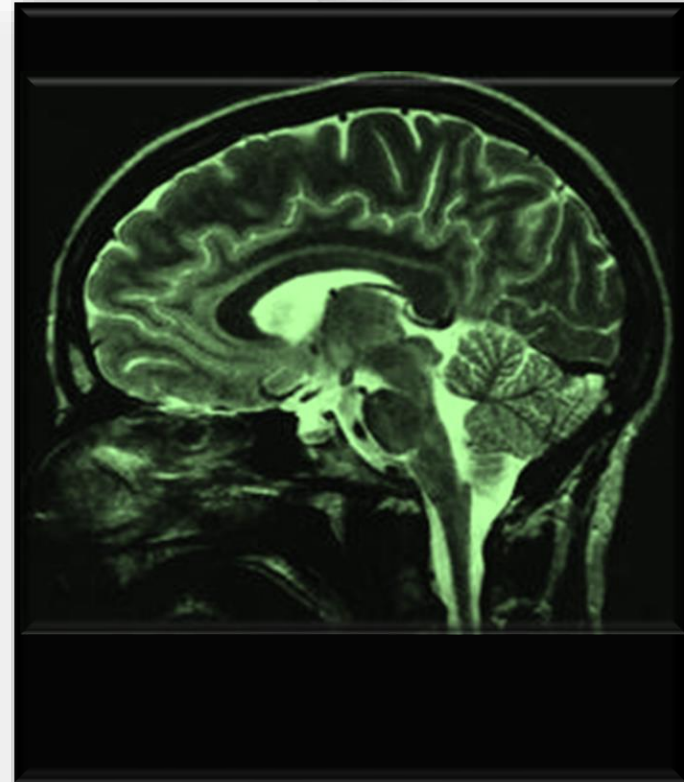


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What we've heard (from 1500 CEO's) is that events, threats and opportunities aren't just coming at us faster and with less predictability; they are converging and influencing each other to create entirely unique situations. These first-of-their-kind developments require unprecedented degrees of creativity – which has become a more important leadership quality than attributes like management discipline, rigor or operational acumen.

There is a fundamental shift in the way the world works ... with challenges and opportunities ... (we are experiencing) a “Smarter Planet”

~ Samuel J Palmisano, Chairman, President, CEO IBM Corporation *Capitalizing on Complexity* – Insights from the global CEO study. (2010)



When technical systems are not enough
adaptive, generative human systems are required

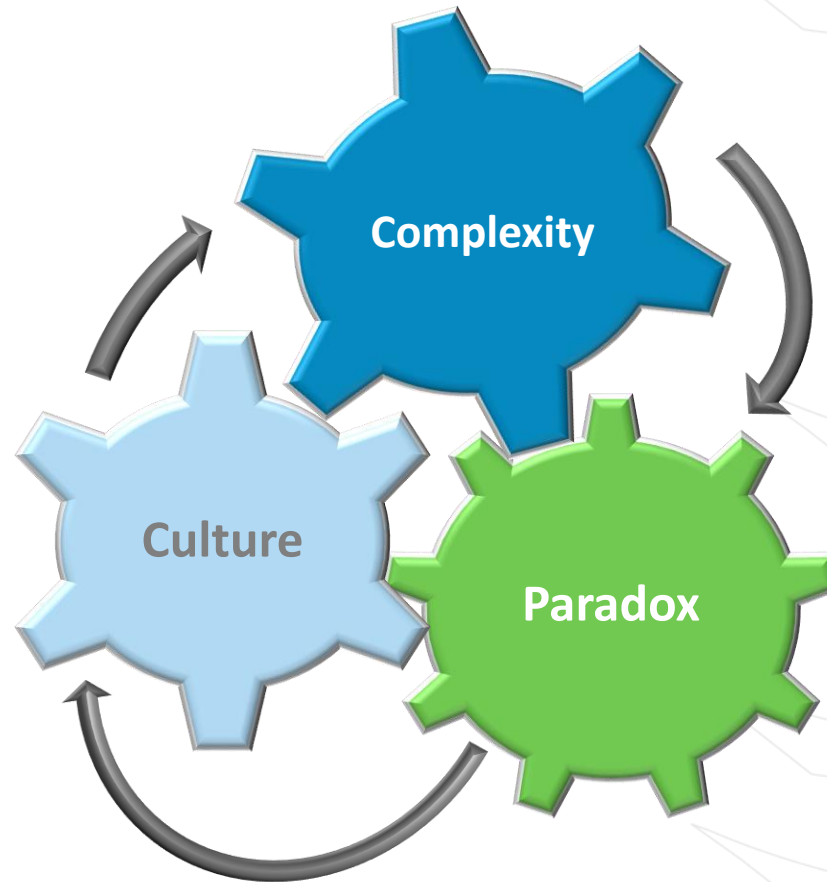
Culture Eats Strategy for Breakfast



“The world is shifting in such magnitude that there is not enough physical resource for us to view our market places in the traditional ways... in a fundamentally interconnected world our leaders face new and greater challenges that require new and greater leadership strategies.... Our future performance will increasingly require our top leaders to think and act inter-dependently and above all to influence the men and women throughout our company to think and act inter-dependently to move towards a higher organizational aim.”

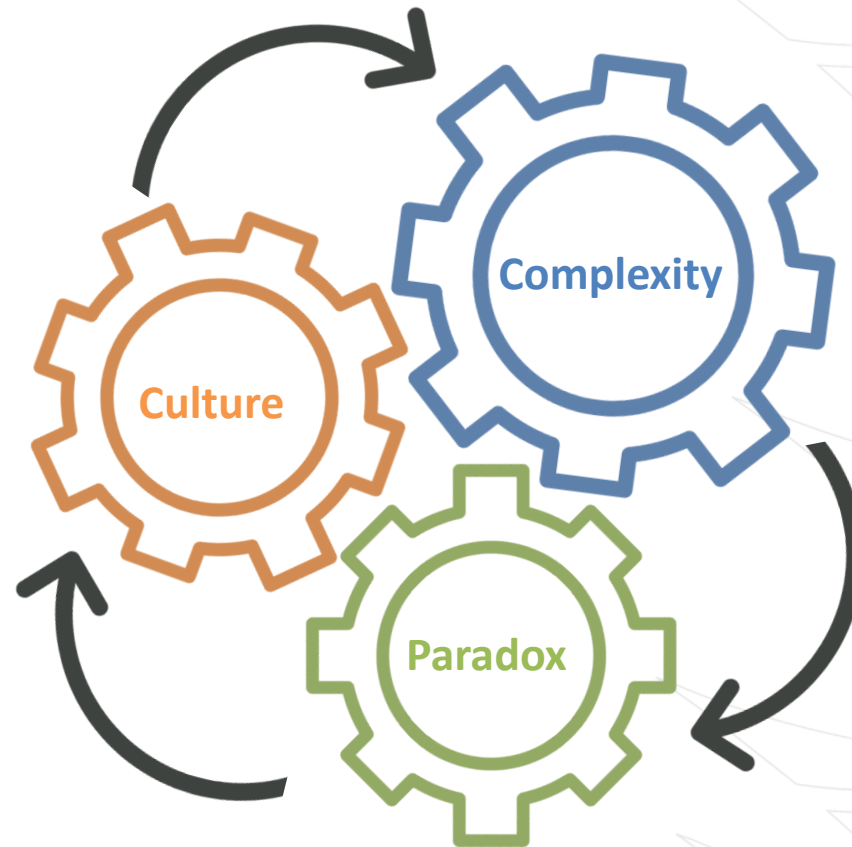
Bob McDonald (2015)

Chairman of the Board, President and CEO, The Procter & Gamble Company; U.S. Secretary, Veterans Affairs.



The most important challenges we face today are interdependent:

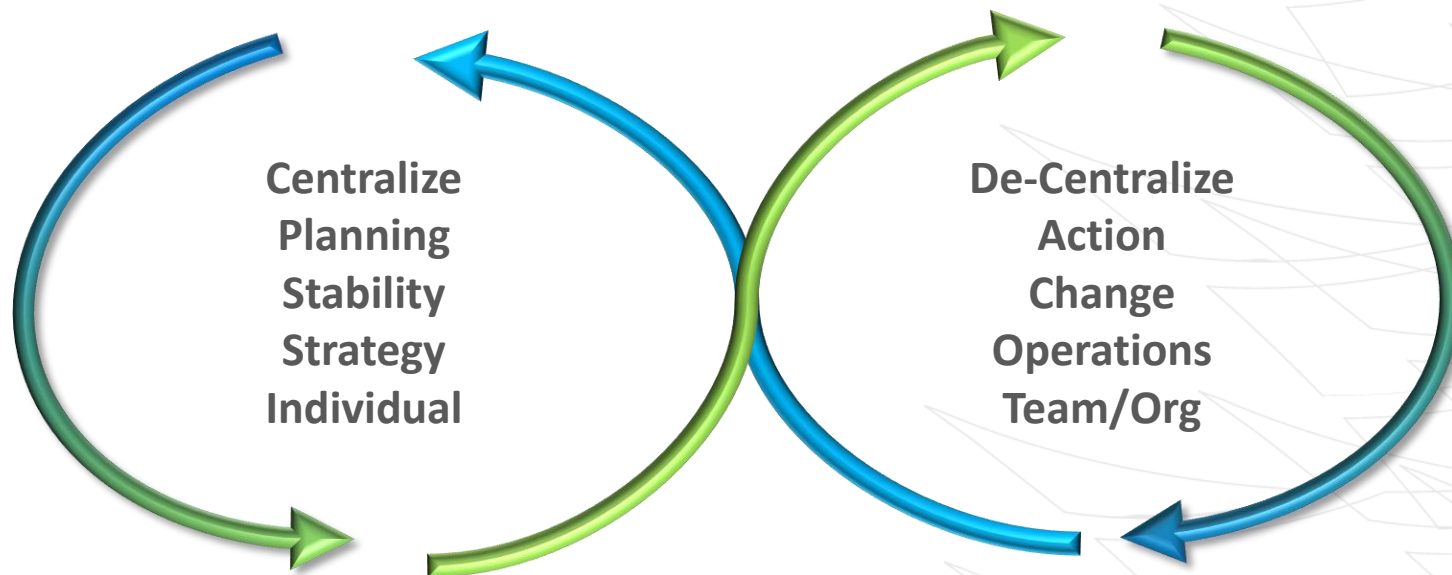
*they can only be solved by groups of people working
collaboratively across boundaries*



The most important challenges we face today are interdependent:

*they can only be solved by groups of people working
collaboratively across boundaries*

Expert Leaders that focus primarily on one problem area at a time, want to sell their ideas, practice problem solving, do either-or thinking, and practice advocacy and compromise, will eventually return to the “problem” in the other part of the system.



Leaders that focus primarily on enterprise-wide systems solutions, generate multiple right answers, manage dilemmas, do both-and thinking, and collaborate in public inquiry, will improve the probability of success for the whole enterprise.

Managing Polarities & Dilemmas

The Collaboration Challenge



Toward Interdependent Leadership

Include

AND

Transcend

Independent

Interdependent

Division competent



Enterprise competent

My Technical mastery



Our Adaptive **learning**

Solve **Problems**



Face **Dilemmas, Polarities**

Analytic, debate



Both-And, dialogue

Advocacy selling



Inquiry learning

Being **Right**



Multiple right answers

Agile **Achievers**



Inter-systemic **Strategists**

Compromise, cooperate



Creative collaborator

Reliable **Performer**



Integrating **Transformer**

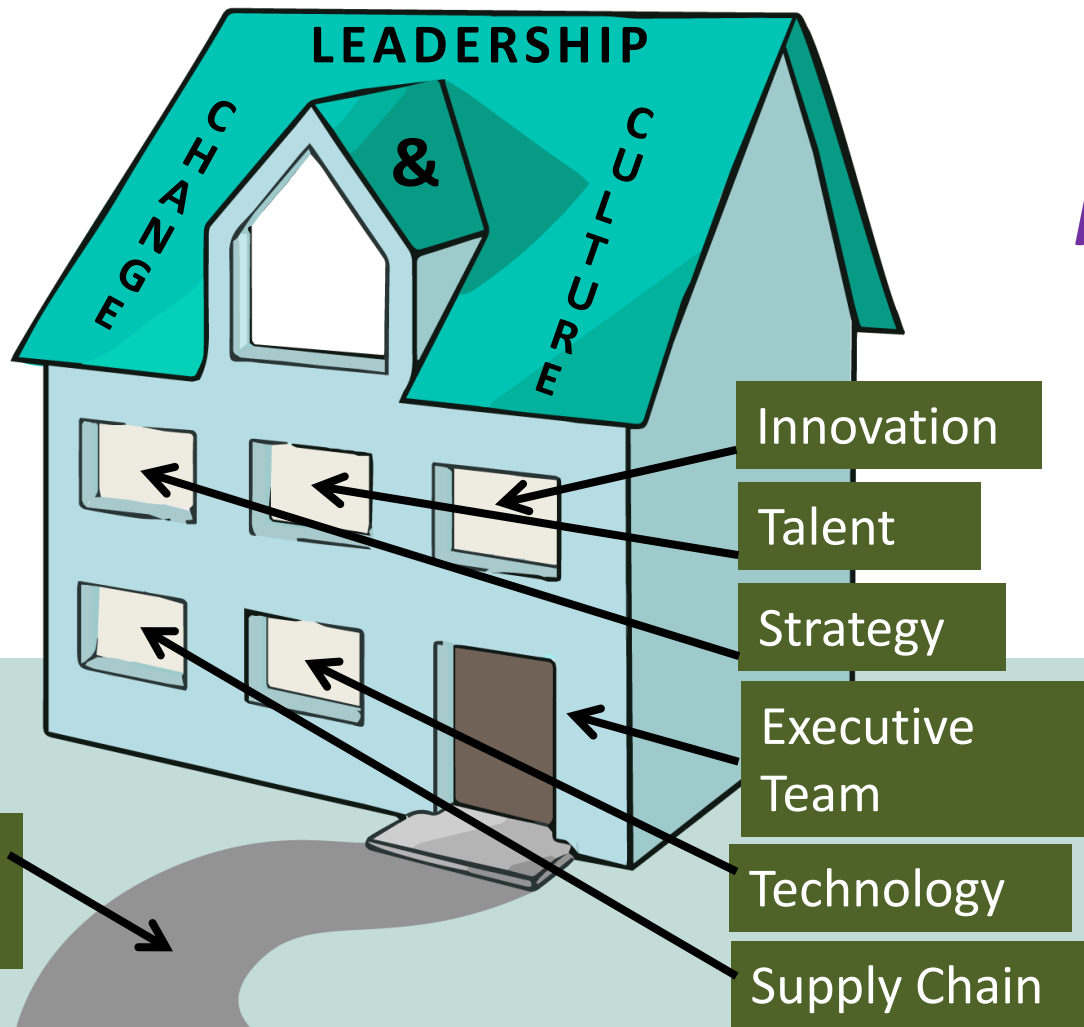
*Achieving independent competence AND collective capabilities



All significant organizational change leads to the house of Leadership Culture & Change

Shift Beliefs

New Practices



VLC Transformation the Dragonfly Framework 3 – in – 1

- 1) Vertical Leadership Culture: *the Snowman*
- 2) Direction, Alignment, Commitment: *DAC*
- 3) Change Leadership & Change Management:
Transformation

Over decades three core action-researched based frameworks
were integrated into one → the VLC Dragonfly framework

Vertical Leadership Culture

the Dragonfly Framework

3-in-1



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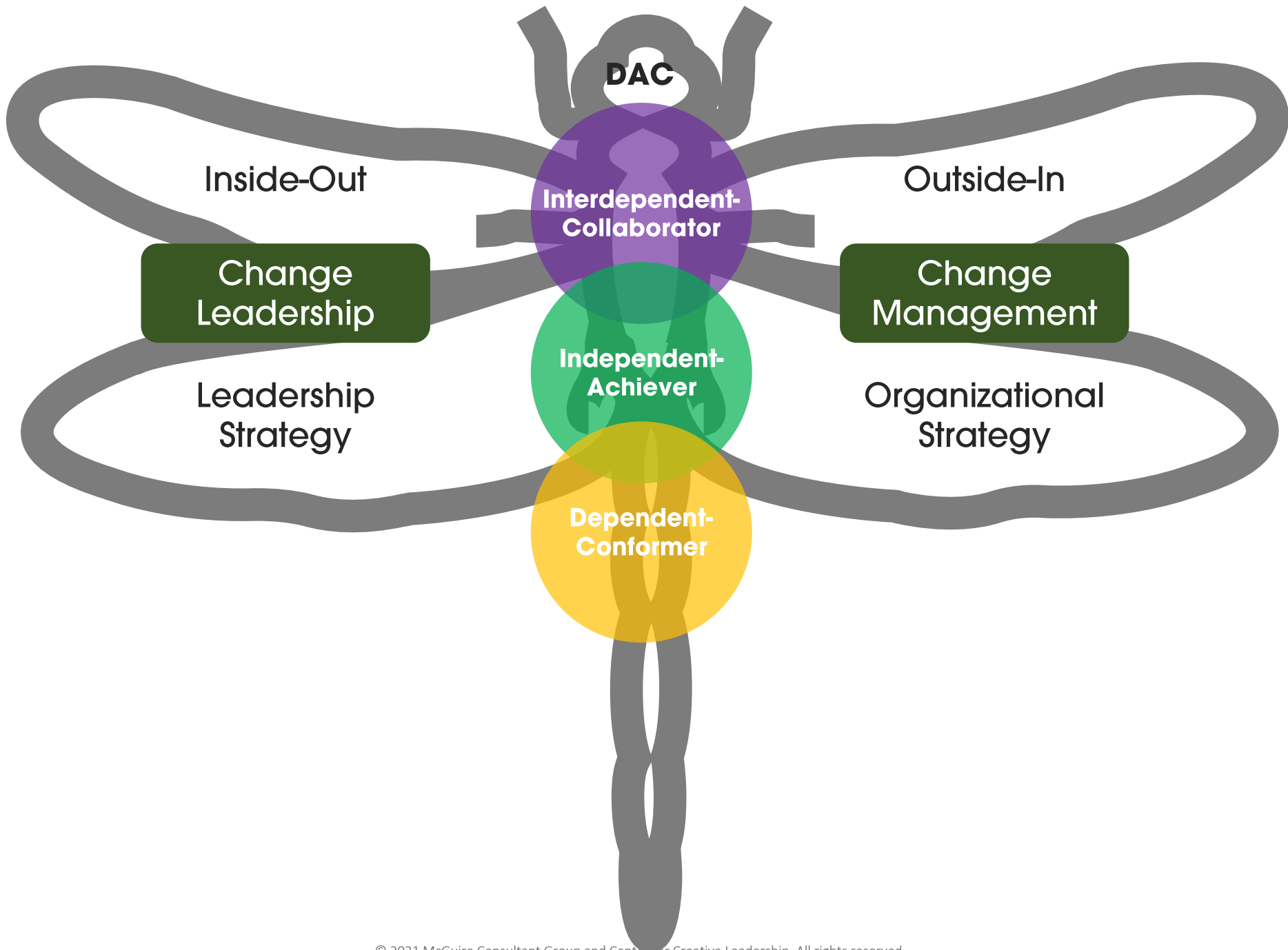
THE DRAGONFLY

The swift and alert Dragonfly has evolved over three hundred million years, on every continent and in every color of the rainbow. Dragonflies are extraordinarily nimble and responsive to threats and opportunities, have the dexterity to fly in all six directions and has vision in 360 degrees. Flexible in the environment, they can live in water in the nymph stage for years until the right time to transform into a fully mature versatile dragonfly.

They have four independent wings, each capable of achieving autonomous motion; and combine synchronously in interdependent-collaboration to create an agility and mobility in direction and alignment that humans can only dream of achieving.

Across the globe the dragonfly symbolizes change, broad perspective and self-realization; and the kind of transformation sourced in mental and emotional maturity, depth of character, and personal power and poise.





Vertical Leadership Culture

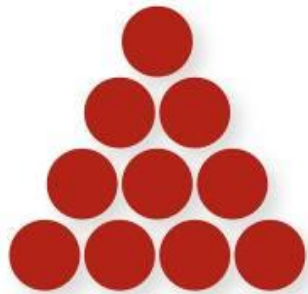
the Snowman Framework

Vertical in collective leadership



Organizational Evolution

Predictable,
Efficient



1900 -

Distributed,
Faster



1970 -

Hierarchy

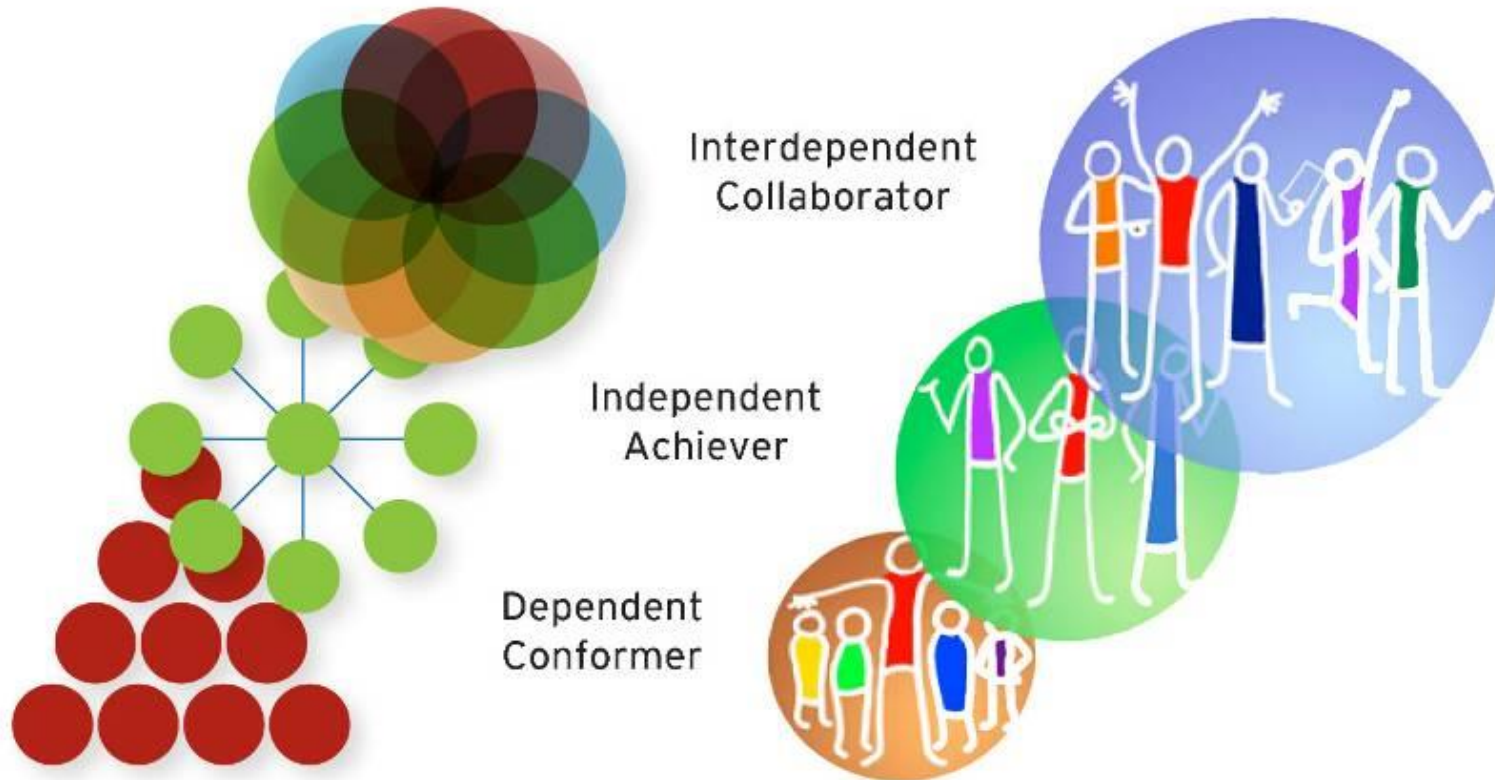
Complexity,
Collaborative



2000 -

Hub & Spoke

Interconnected



Designated the Snowman Model
by clients 2003

The Leadership Culture Gap Analysis



Interdependent Indicators:

- Strategic Learning mindset
- Self, team & organization awareness
- Shared Knowledge is competitive – *right to know*
- Success requires organization-level competence
 - Staffing for teams & learning
 - Both/And evolutionary thinking.

Independent Indicators:

- Make it Happen mindset
- Analytic, entrepreneurial awareness
- My Knowledge is Power – *internal competitive edge*
 - Success is my achievement
 - Staffing for Performance
 - Analytic problem - solving

Dependent Indicators:

- Command & Control Hierarchy mindset
 - Risk & Conflict averse
- Knowledge is Secret – *need to know*
 - Success requires loyalty
- Staffing for technical mastery
 - Either/Or thinking.



Feedback is the
Source of
Organizational Learning

Learning as Desire

Feedback is Knowledge for
My Success

Learning as Utility

Feedback is a threat &
received with Ambivalence

Learning as Survival

Feedback is not wanted

HOW TO USE THIS TOOL:

Draw a horizontal solid line through the colored circle to indicate the current culture, and a dotted line to indicate the future, required culture of your organization. The delta between the solid and dotted line is your leadership culture GAP.



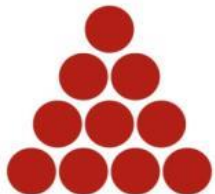
Interdependent

Leadership is a
collective activity



Independent

Leadership emerges out of
individual expertise and heroic action



Dependent

People in authority
are responsible for leadership

Palus, C.J. McGuire, J.B., & Ernst, C. (2012). **Developing Interdependent Leadership**. In *The Handbook for Teaching Leadership: Knowing, Doing, and Being*. Snook, S., Nohria, N. & Khurana, R. (Eds.). Sage Publications with the Harvard Business School. Chapter 28, 467-492.



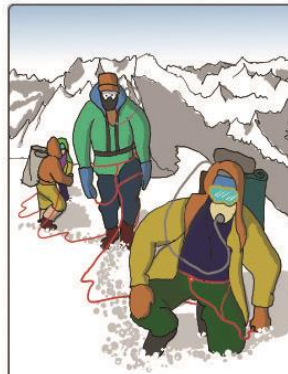
Interdependent



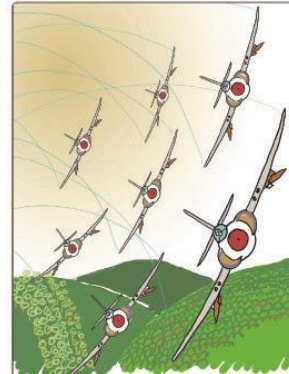
Independent



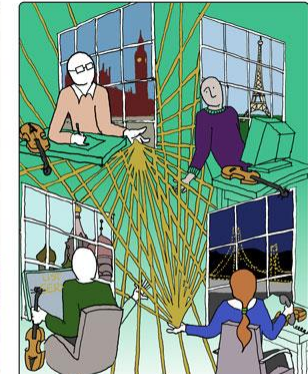
Dependent



Connected Leadership



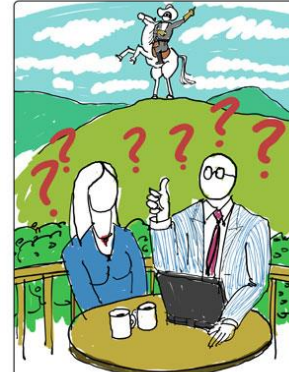
Squadron of Jet Fighters



Network of Peers



Visionary Landscapers



Lone Rangers



World Class Athletes



By-the-Book Commanders



Micromanagers



Conflict Smoother

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Leadership Culture Beliefs & Practices



Individual Leader Logics



Interdependent

Leadership is a **collective activity**

Alchemist

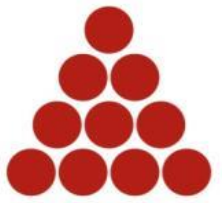


Independent

Leadership emerges out of **individual expertise and heroic action**

Transformer

Redefining



Dependent

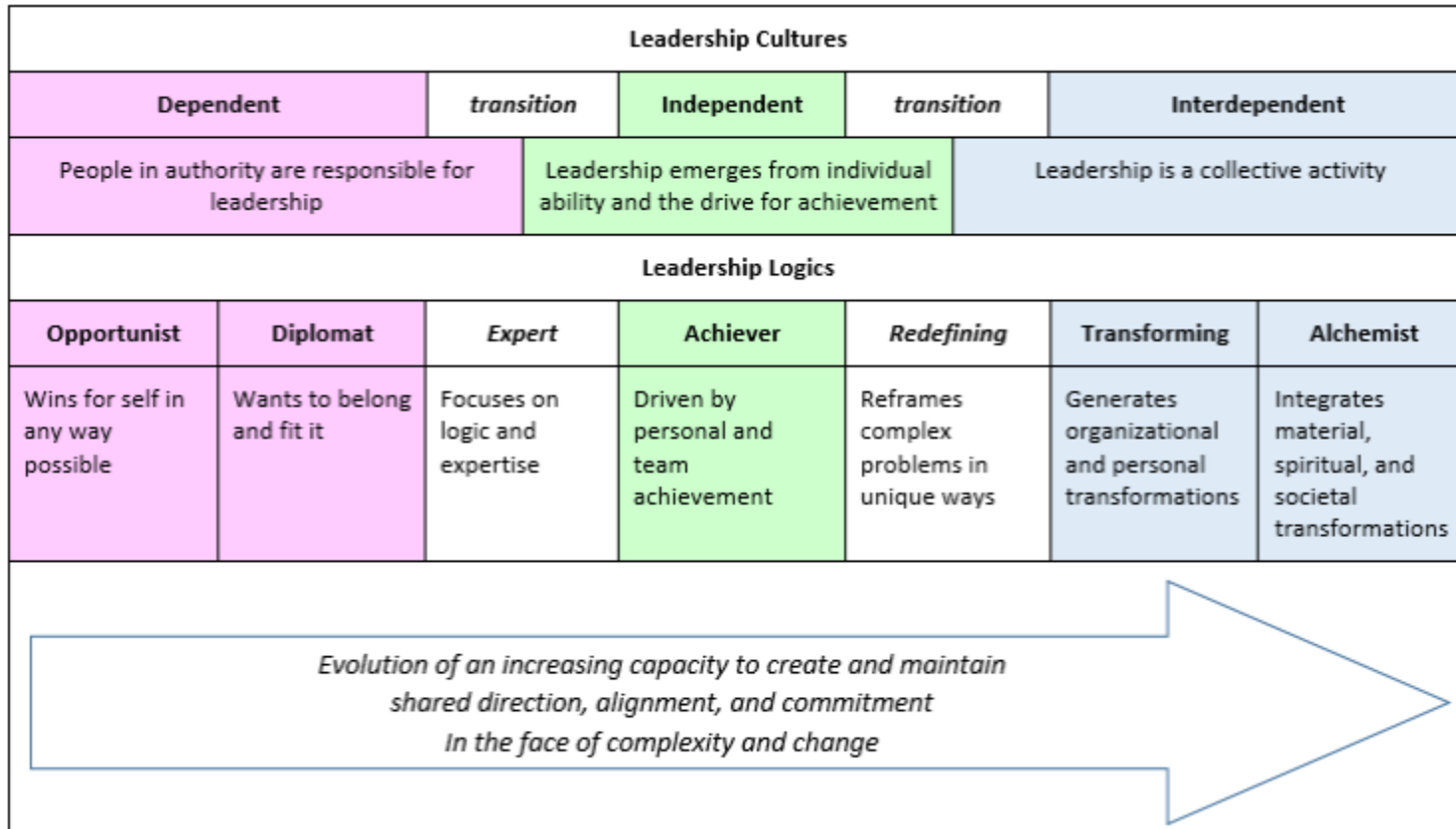
People in authority are responsible for leadership

Achiever

Expert

Diplomat

Opportunist



Vertical Leadership Culture Behind the Snowman Framework

A deeper look into Vertical individual leader development



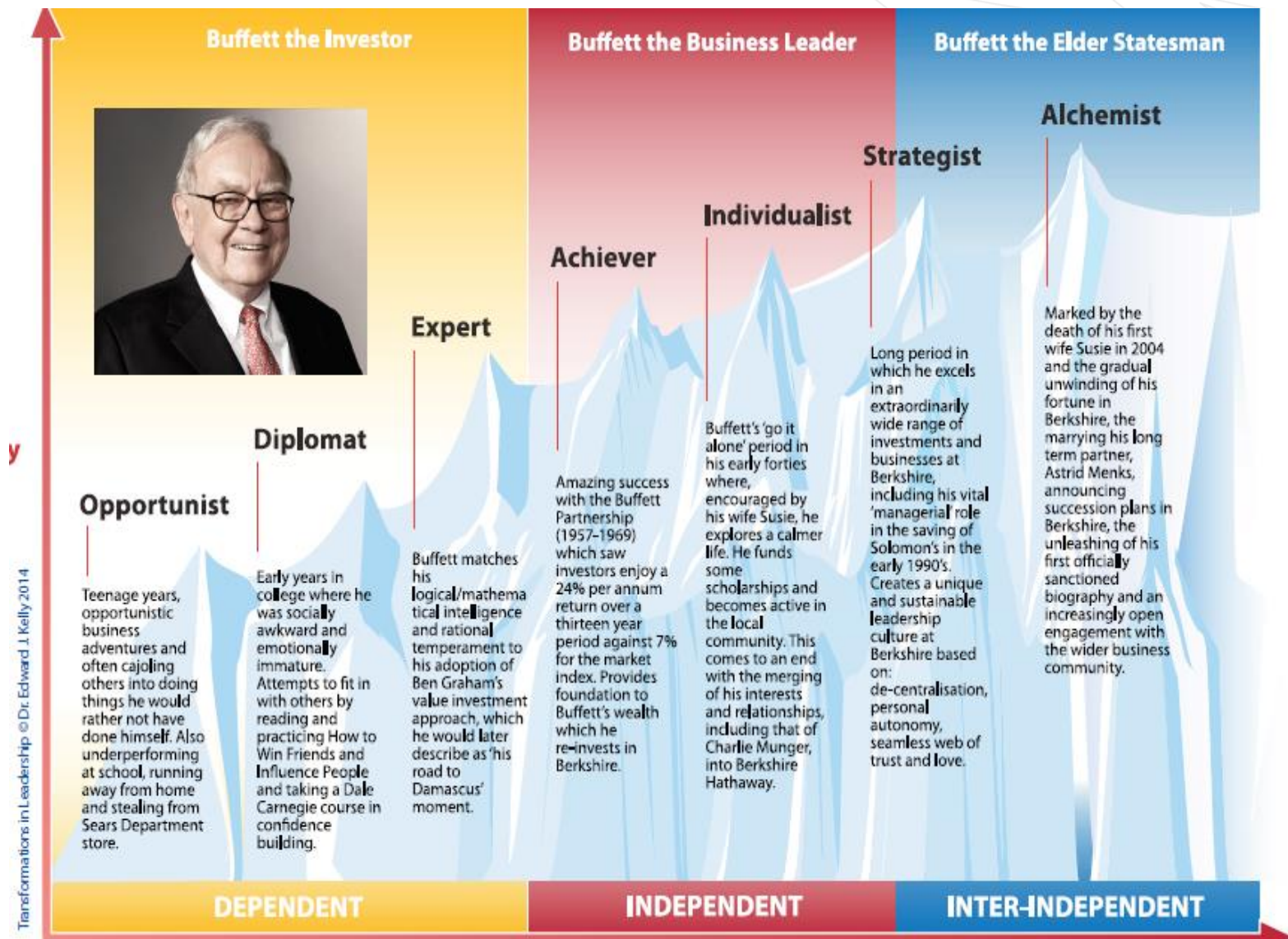
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Leader Logics revisited ...

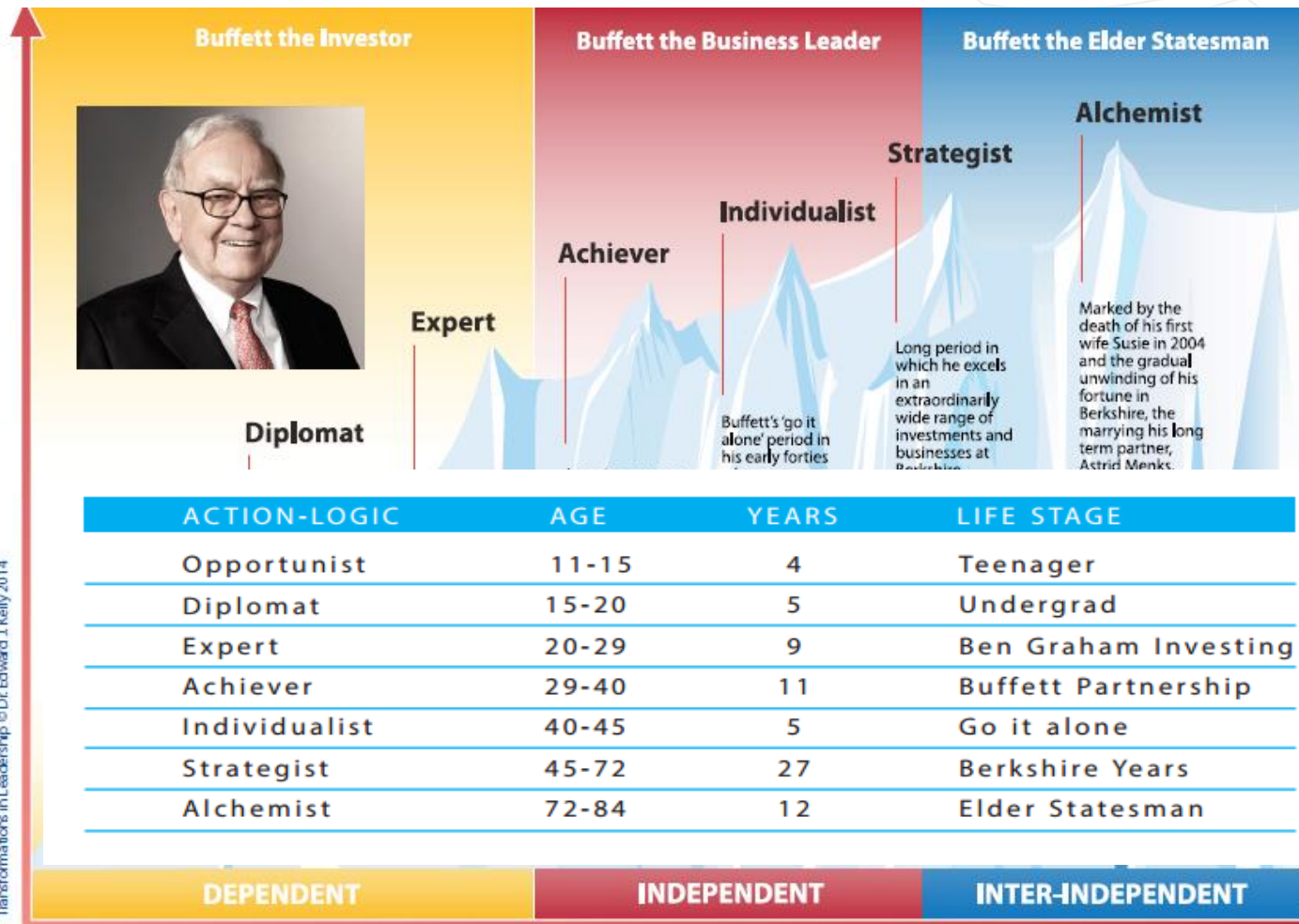
Vertical Stage Development of Fishing



- 1. Opportunist** is a dominator: I catch as many fish as possible, sometimes more than I need to eat and live. It's about dominating to survive.
- 2. Diplomat** is a moderator: I am a fisher. You are a fisher. We will follow the rules and respect the standards.
- 3. Expert** is a specialist: I study fly fishing, my specialty. There are many kinds of fishing and specialties.
- 4. Achiever** is a performer: I am the best fisher, I catch big fish and special fish. Follow me.
- 5. Re-definer** is a freethinker: Fish can be farmed, new industries can be built. Fishing is a metaphor for action.
- 6. Transformer** is a strategist: We transform and integrate systems, from fishing waters to ecosystems, from gear to industries, from catalogues to mindsets.
- 7. Alchemist** is a spiritualist: It is not about fishing at all. The Zen of fishing is all-inclusive.



Transformations in Leadership © Dr. Edward J. Kelly 2014



Transformations in Leadership © Dr. Edward J. Kelly 2014

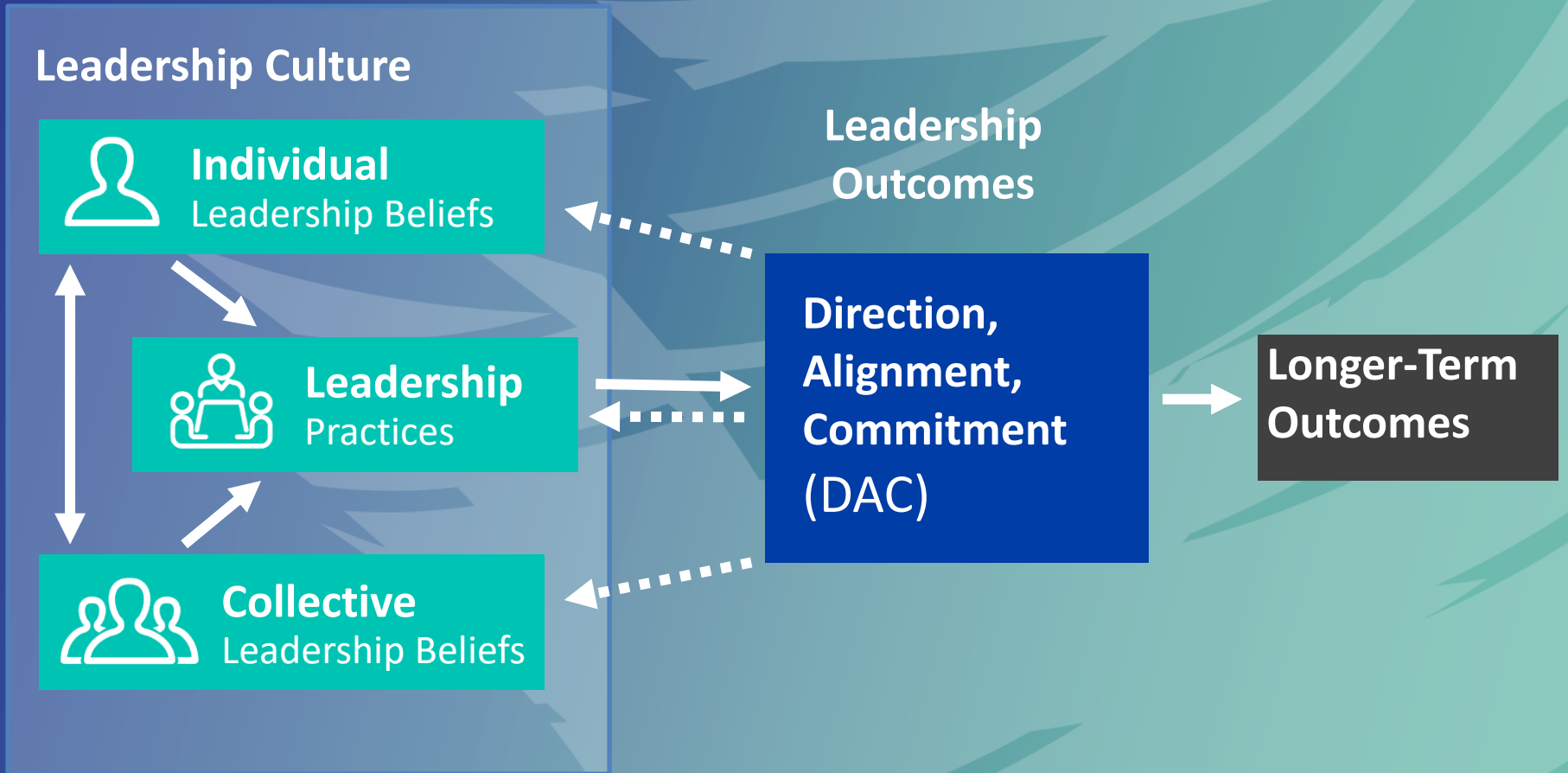
Vertical Leadership Culture

the DAC Framework



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DAC Framework



Almost everyone focuses change on behaviors, but ignore the source, the drivers and the real practice of behavior change ...

- Beliefs drive Decisions
- Repeated Decisions create Practices (behaviors)
- If you want Best Practices you need Best Beliefs

What behaviors do the current collective beliefs drive in your organization?

Direction

Alignment

Commitment

How will we decide on a shared direction?

How will we coordinate our work so that it fits together?

How will we maintain commitment to the collective?



Interdependent

Agreement on direction is the result of **shared exploration** and the **emergence** of new perspectives.

Alignment results from **ongoing mutual adjustment** among **system-responsible** people.

Commitment results from **engagement in a developing community**.



Independent

Agreement on direction is the result of **discussion, mutual influence, and compromise**.

Alignment results from **negotiation** among **self-responsible** people.

Commitment results from **evaluation of the benefits for self** while benefiting the larger community.



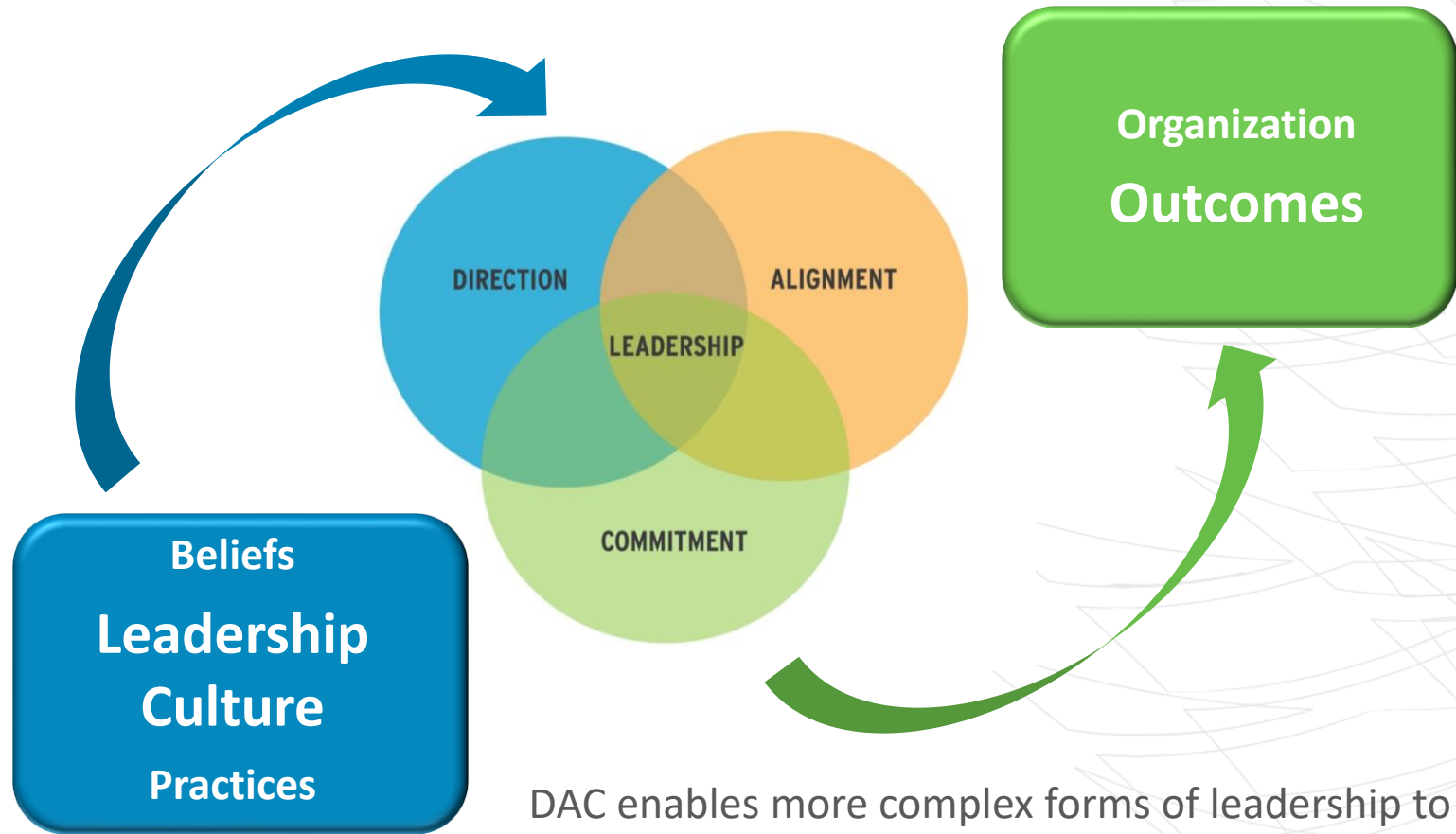
Dependent

Agreement on direction is the result of willing **compliance** with an **authority**.

Alignment results from **fitting into** the expectations of the **larger system**.

Commitment results from **loyalty** to the source of authority or to the community itself.

Leadership is a Social process that achieves ...
outcomes of Direction, Alignment, Commitment



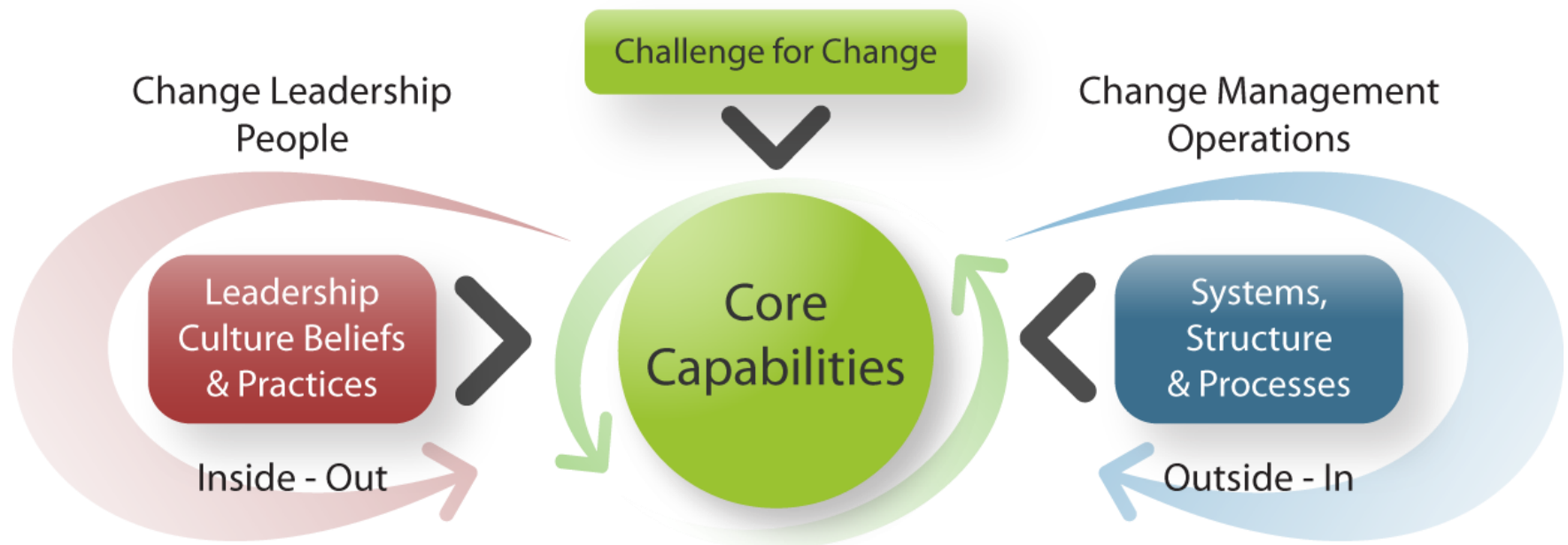
DAC enables more complex forms of leadership to emerge as we face leadership in a more interdependent world.

Vertical Leadership Culture

the Transformation Framework Change Leadership & Change Management



Change & Transformation Framework



Change Leadership & Change Management

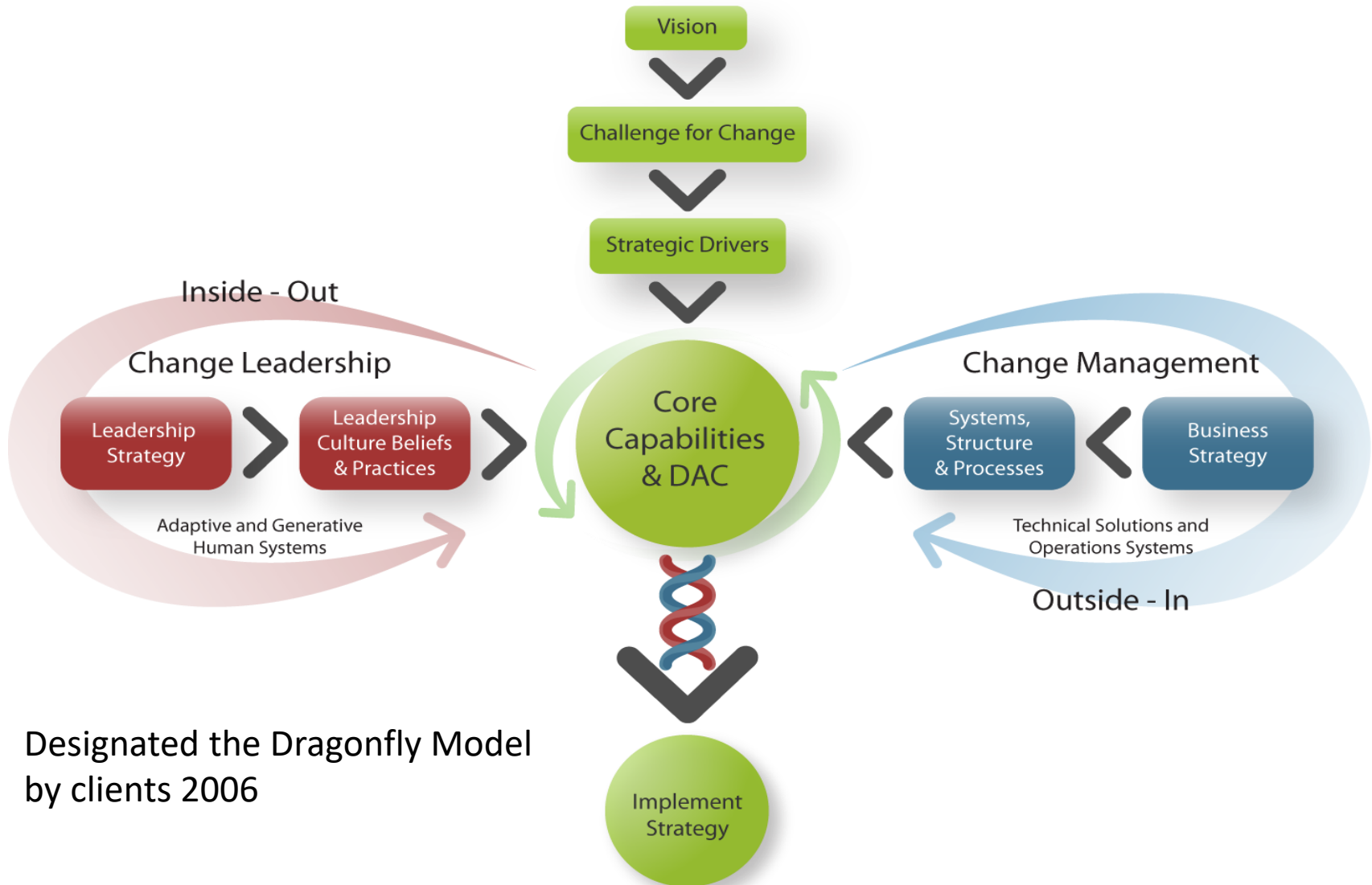


The change and transformation framework suggests that successful change requires the understanding, development, alignment and execution of both Change Leadership and Change Management.

- **Change Management** includes all the external, operational systems, structures and processes that must be put into place in order to execute the business strategy.
- **Change Leadership** includes all the leadership mindsets, behaviors and capabilities that are required to enact the business strategy; and these include beliefs and assumption, imagination and creativity, emotions and mindset and the human spirit.

Our research on Change Leadership reveals that the kind of direction, alignment, and commitment (DAC) that leadership gets is driven by the kind of Leadership Culture beliefs held in common that drive those results.

Change & Transformation Framework



Designated the Dragonfly Model
by clients 2006

Leadership Strategy

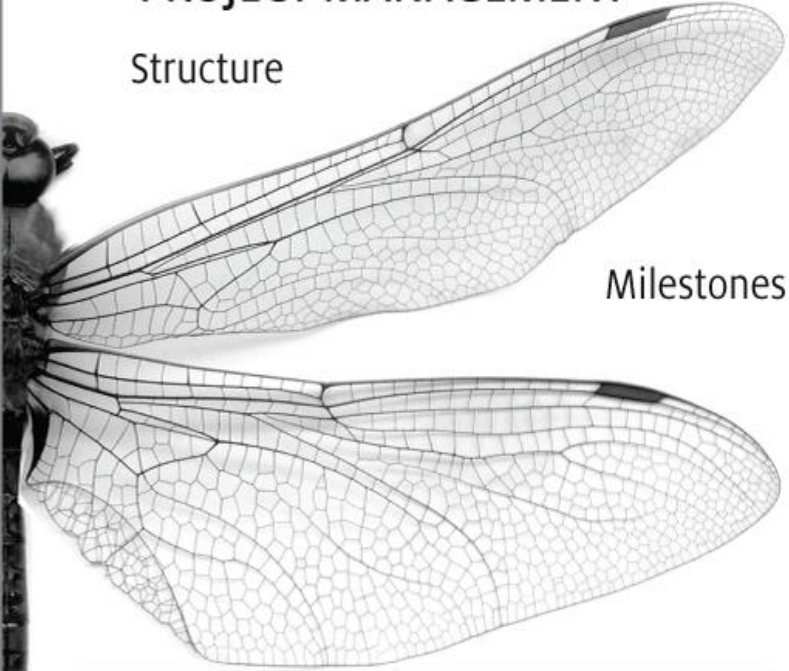
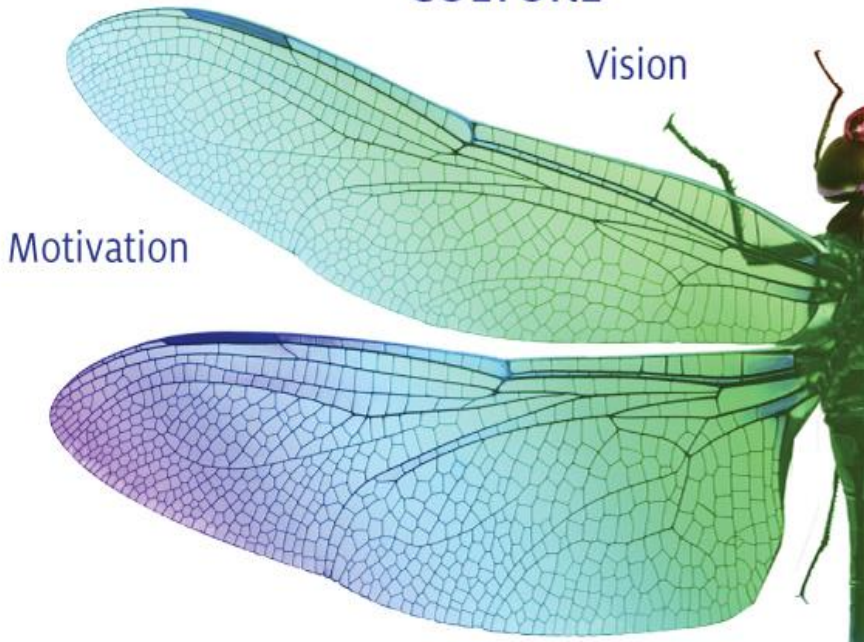
ART

SCIENCE

Business Strategy

CULTURE

PROJECT MANAGEMENT



Vision

Structure

Motivation

Milestones

CHANGE LEADERSHIP

CHANGE MANAGEMENT

Imagination

Collaborative Inquiry

Processes Improvement

Communications Plan

Conscious Mind

Curious Learning

Deliverables

Passion Inspiration

Human Spirit

Work Teams

Technical Mastery

Integrated Systems

{2014 prototype}

BELIEFS

PRACTICES

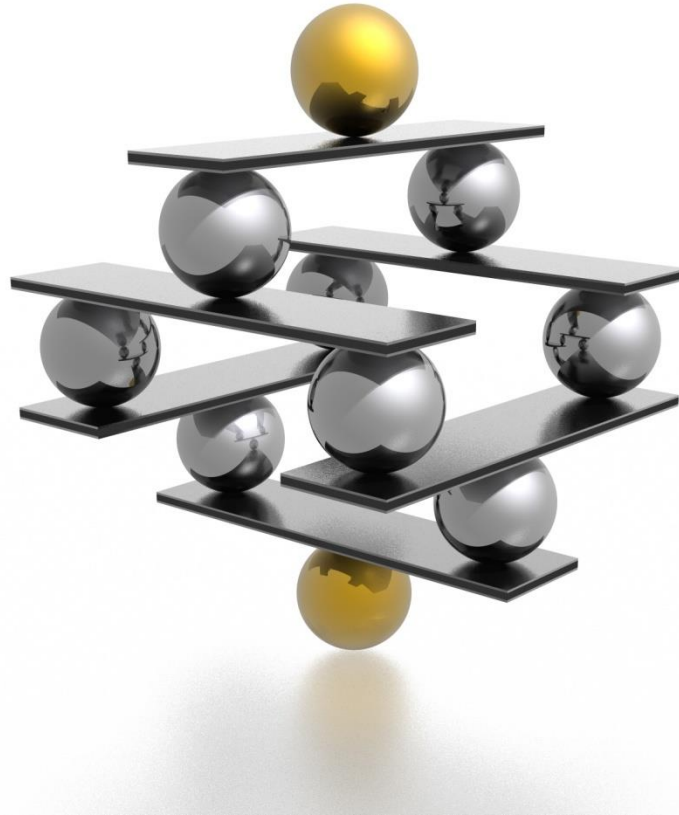
Vertical Leadership Culture Transformation

What we have been Learning about Organizational Change and Transformation

Increasing the Probability of Success

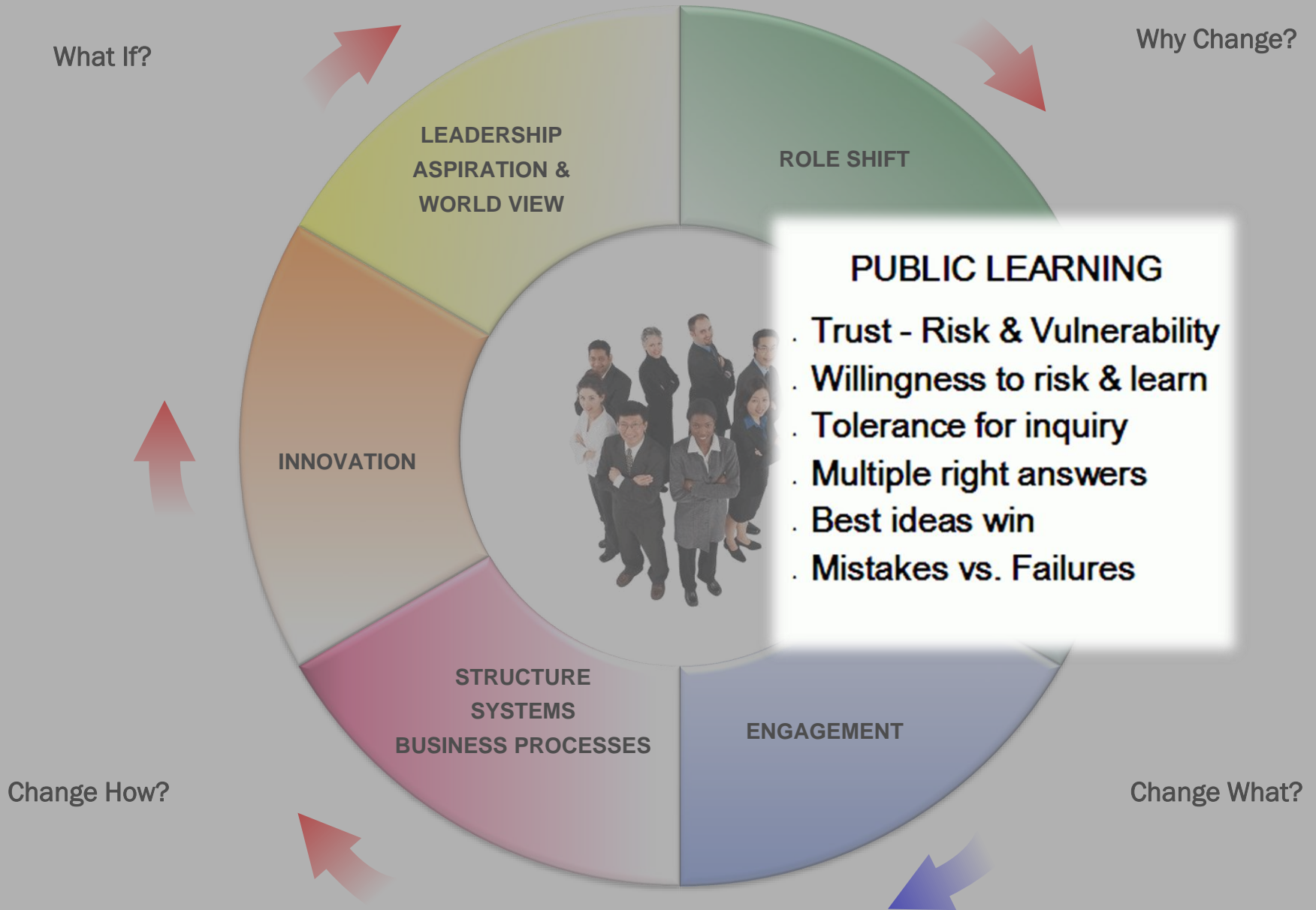
Our Leadership Culture Development Cycle Action Research

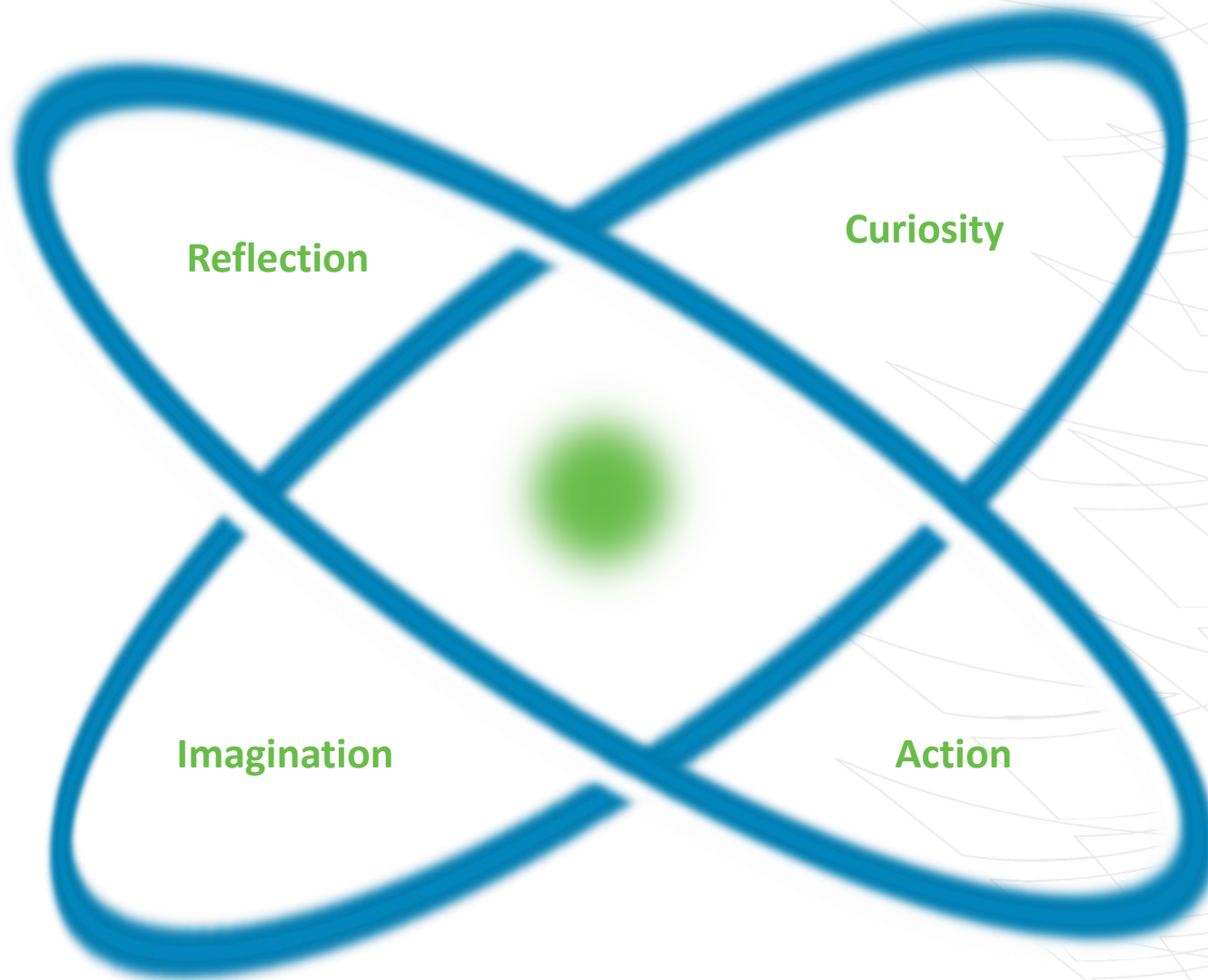




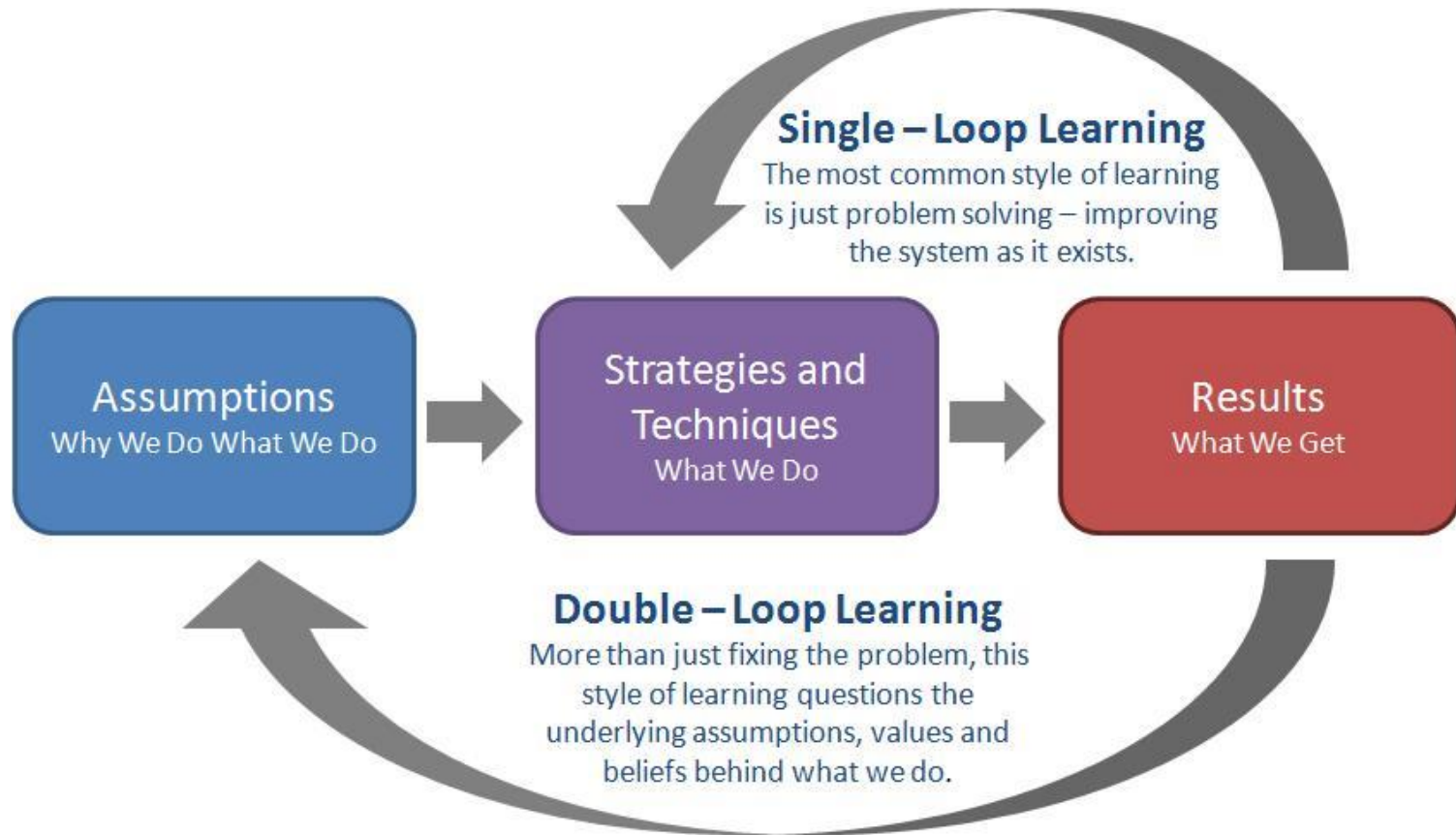
Improving innovation, interdependence and organizational performance

Culture Development Cycle

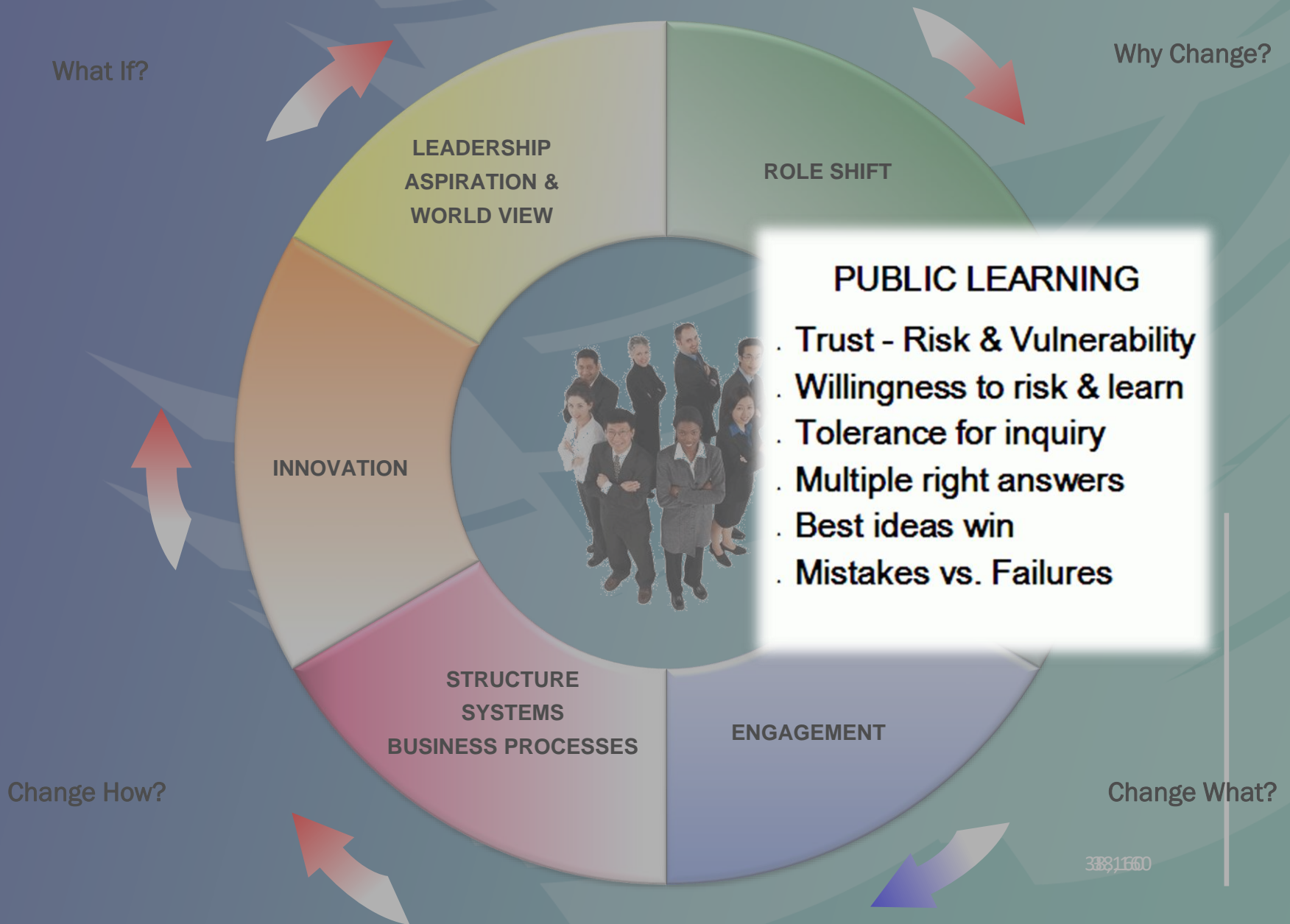




Double Loop Learning as BOTH ~ AND thinking



Culture Development Cycle



What we've Learned about VLC Transformation ...



- The key for sustainable transformation is alignment of collective beliefs and practices with new strategy/new business model .
- The sooner and more meaningfully involved people can be, the greater the chances of successful transformation.
- Honest dialogue must precede and follow action in order to create the full engagement needed to succeed in facing the complex challenges of transformation.
- Leaders can edict/command compliance but not commitment and collaboration.
- Leaders underestimate the need for information and collaboration in undertaking change efforts .
- How direction, alignment and commitment are created in framing the change will set irreversible dynamics in motion that affect how the transformation plays out.
- Senior Leaders need to model the new changes in beliefs & practices – and share their learning in making these changes (public learning) .
- Transformation happens through advancing beliefs, practices and behaviors simultaneously in the leadership culture and the organization's operational systems.
- Successful transformation efforts cannot be 'something separate' from the work – Leadership Culture improvement should be embedded in the organization's work.
- Full learning and engagement creates **Bigger Minds** in individual and the collective

Leading Change is a
guided, public
learning process

Senior leaders do
the change work
first

VLC

**Core Practices
in change &
transformation**

Organizations
navigate
complexity by
developing
collaborative
capability

Sustainable Change
is a continuous
learning process
embedded in an
organization's work

Culture changes
through advancing
beliefs, practices
and behaviors
aligned with
systems &
processes

VLC CHANGE LEARNING CYCLE



1. **Change Yourself:** *attend* ~ truth matters
2. **Change Beliefs:** *intend* ~ culture matters
3. **Change Systems:** *extend* ~ results matter

Vertical Leadership Culture

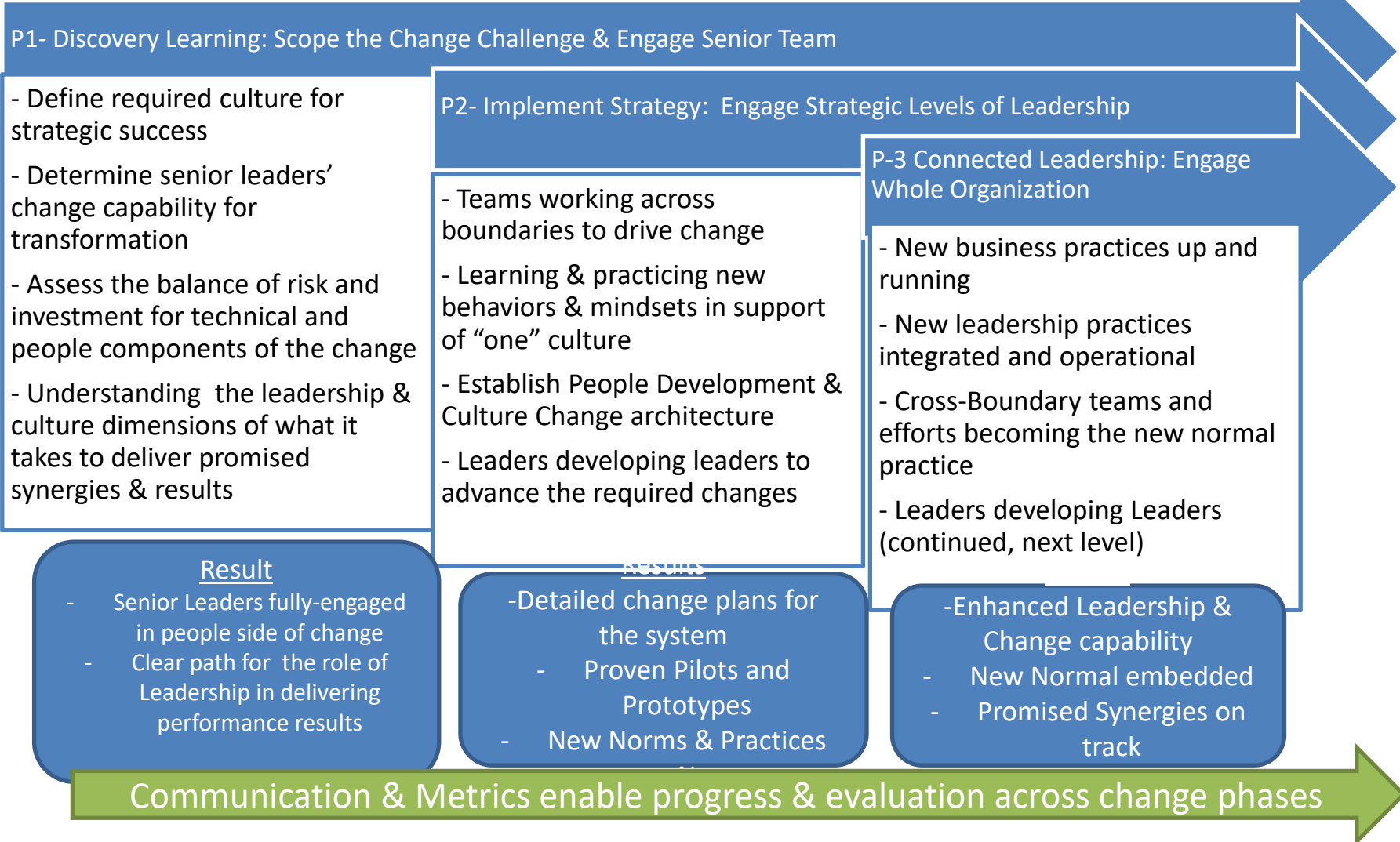
Methodology



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VLC Change & Transformation Process

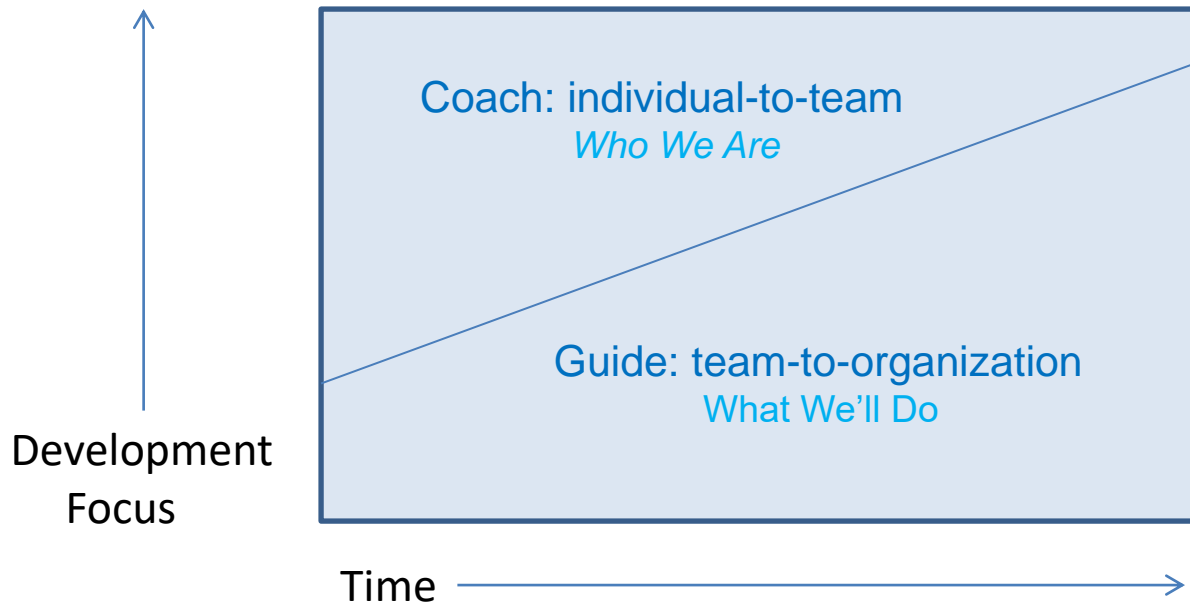
Change Leadership 3 Phase Methodology



Change Leadership – 3 Phases Methodology

Phase & Purpose	P-1: Scope challenge, engage ET Align Strategy & Culture <i>Slow Down to Power Up</i>	P-2: Engage levels strategic leaders Design the Culture <i>Prototype in Organization's Work</i>	P-3: Engage whole organization Implement the Culture <i>Applying new Beliefs & Practices</i>
WHO	Senior Leadership: Must Do Changes	Strategic Leadership: Targeted, Pilot Changes	All Leadership: Required, Systemic Changes
EVENTS	*Transforming Your Organization workshop *Change Leadership Team: quarterly change integration reviews	*Top X00 Leadership: Setting Direction with Key Leadership *Change Leadership Team: quarterly change integration reviews	*Manage large group change workshops *Change Leadership Team: quarterly change integration reviews
WHAT	<ul style="list-style-type: none"> • Enroll leaders to engage in change • Define & assess culture required for strategic success • Determine willingness and feasibility of transformational change • Coach & Guide senior leadership • Learn how to innovate through creative conversations • Enhance readiness, improve the probability of success 	<ul style="list-style-type: none"> • Establish new Leadership Practices • Map business & leadership strategies to work processes & systems • Prototype strategic change targets • <i>Leaders Developing Leaders</i> training & development • Cascading Boundaries (???) • Leadership Teams learning how to learn across boundaries • Create <i>Take it to the Middle</i> change plan 	<ul style="list-style-type: none"> • Implement and coach action development teams • Senior leaders host local change leadership learning dialogues • Identify required leadership initiatives • <i>Leaders Developing Leaders</i> teams in action • Strategic change initiative reviews • Change management methods reviews
RESULTS	*Current & Required Culture target ~ transformation scenario *Develop Deep Understanding ~ What change “here” really takes	*Framing Change ~ Designing the process across the enterprise *Information & Metrics ~ enable progress & evaluate as you go	*Grow Leadership Capability ~ increase enterprise capacity to change *Develop respect for the whole value chain, and grow local ownership

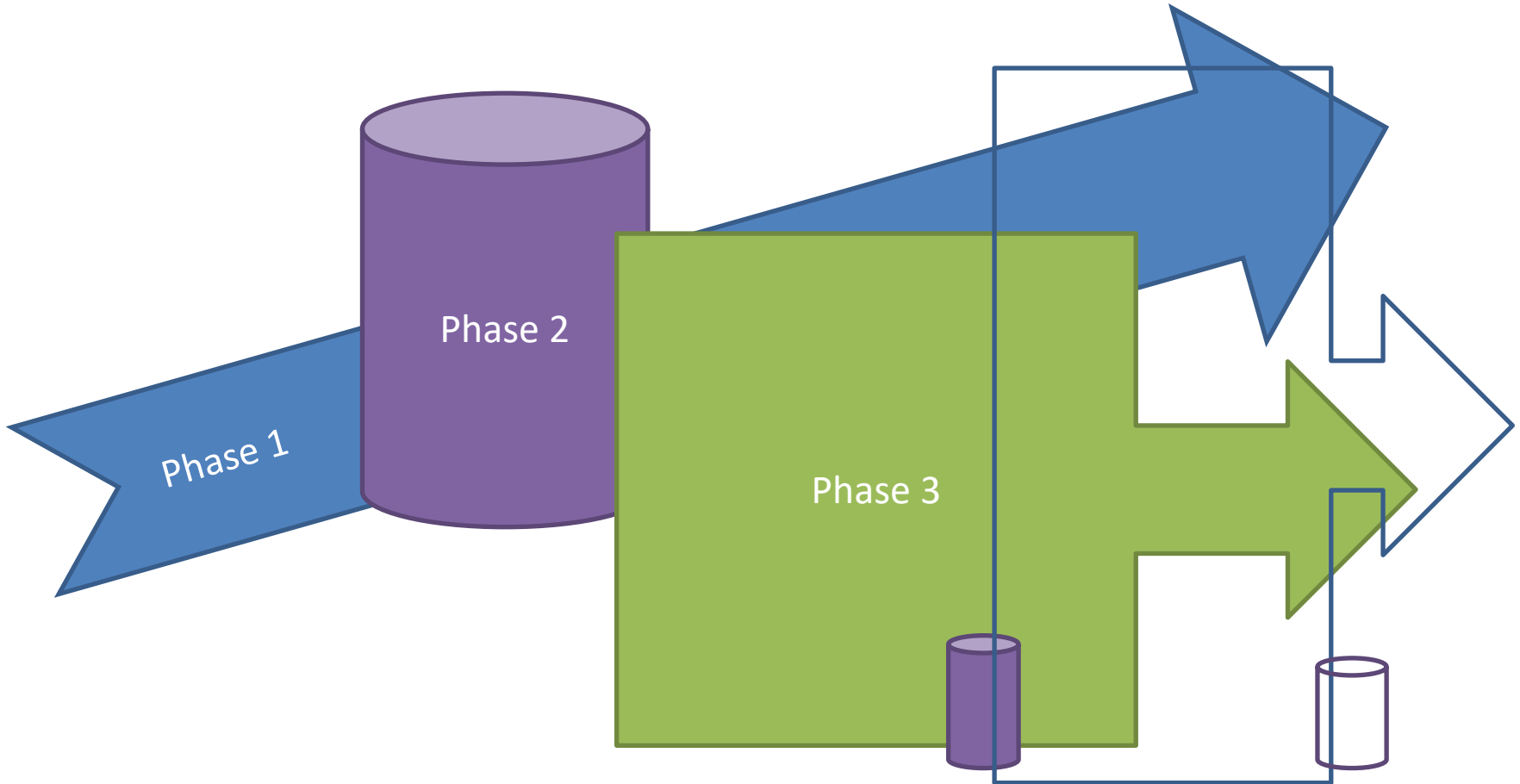
Senior Team Transformation ~ Individual Coach + Organizational Guide



The collaborative craft of
Leader Coach & Organizational Leadership Guide

The 3 Phase Methodology in practice is actually both:

- Serial phases, and
- Simultaneous, Overlapping, Concurrent, Recurrent



1. Steering Strategy – strategic visioning, critical systemic (multi-variant) thinking, disciplined management process of learning/discernment, agile decision-making in emergent markets/conditions, scenario planning
2. Managing Organization Change – program/project management, boundary spanning competence, team-based execution, integrated communication systems
3. Leading Enterprise Change* -- thinking enterprise (employees, partners, customers, stakeholders), installing innovation sets (simultaneous implementation of systems, structure, processes), balancing push & pull (managing change & change leadership), seeking growth (productivity + progress), distributing leadership (interdependent leadership). {*see George Roth, sdm.mit.edu/news articles}
4. Facilitating Agility – best practices in learning organization, creates industry future, coordinated systemic change—change ready, flexible workforce/resource readiness, shared-integrated information systems, fast response time, coordinated decision-making
5. Driving Productivity – manage quality/costs/information/work, lean practices, customer value-added driver, reengineering systems/processes, technology leader
6. Determining Performance – performance benchmark for individual/team/organization/industry, integrated information systems and operational measures, rewards & benefits, feedback rich environment, distributed empowerment to excel
7. Initiating New Markets – entrepreneurial, discovers/creates new markets, time-to-market, competitive spirit/practices, strong supply chain
8. Fostering Innovation – intra-preneurial, product/service innovation, fosters imagination, distributed decision-making, learning teams, enterprise time-to-market process
9. Assuring Talent – fill the talent bench, right resource-time-place, recruit/reward/retain, manage performance and knowledge, best-in-class succession, develop competence/grow capability, executive ownership, benchmark reputation
10. Driving Customer Quality – the organization's centrifugal center revolves around partnerships in the customer-client-constituent requirement: employee satisfaction=customer satisfaction



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