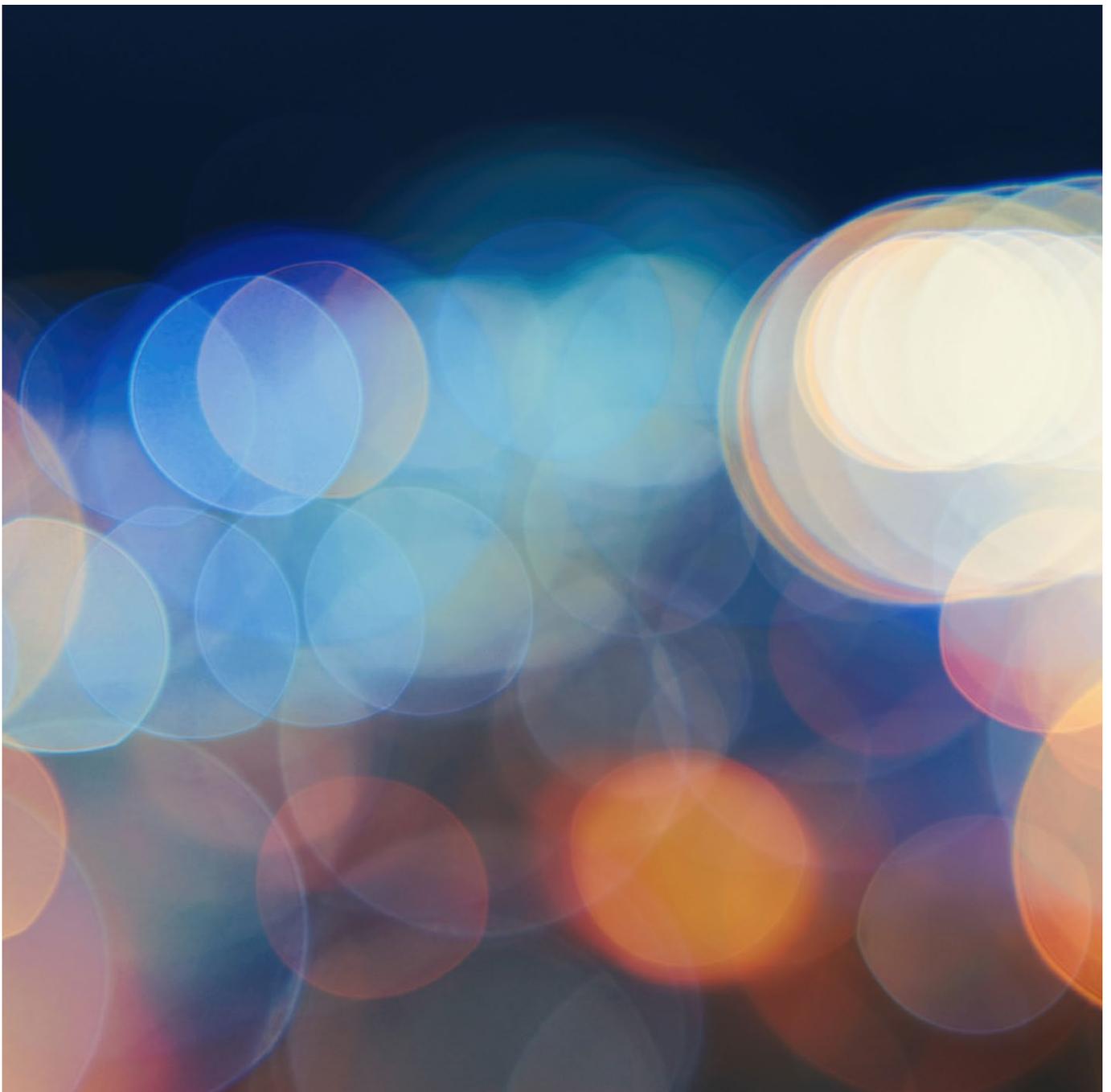


# LeadershipReview

Robert Heller's  
Masterclasses

Andrew Grove 3

## Mastering Change



# Mastering change

*Anticipating and exploiting change is the key to success in the twenty-first century. You need to recognize the signs of change early and then develop a timely strategy to cope with it. You must also make sure you carry people with you in the transformation of the organization.*

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## **PROFITING FROM PARANOIA**

Whether or not you agree with Andy Grove's maxim "only the paranoid survive", the thought is a powerful tool for effective management of change. Strictly speaking, paranoia is a delusion: but the existence of competitive and other threats, whatever your industry, is likely to be only too real.

Take your guide from what is happening in the present and forget what has happened in the past in your business, which may be wholly irrelevant. Fight against the tendency to stick to the business and the methods that have sustained your fortunes for so long.

## **AVOIDING DENIAL**

The opposite of healthy paranoia is unhealthy denial. Change that comes in the form of bad news tends to be denied. To avoid the denial trap, analyze your response honestly and rationally.

### **DEALING WITH BAD NEWS**

- Do I want this news to be wrong?
- Is that why I am denying it?
- Or have I conducted a thorough, dispassionate analysis that shows it to be wrong?
- Either way, what will be the worst possible result if the news is right and I have done nothing?
- What action can and should I take if the news is right?
- What is the worst possible result of that action?
- What is the best possible result of that action?

Rational evaluation of a possible threat as soon as it appears will undermine false optimism and demonstrate what risks you are running through denial and inaction. Remember what Andy Grove has written: "Looking back over my own career, I have never made a tough change, whether it involved resource shifts or personnel moves, that I haven't wished I had made a year or so earlier."

Look back over your career. Were there any events of which you would say the same as Grove? Ask yourself why you delayed. Almost always, the answer lies in your emotions; for example, fear of confrontation or fear of being wrong.

### **SHIFTING RESOURCES**

The critical moment comes when you must commit resources to a new strategy. There are dangers to moving either too early or too late, although acting too late incurs the greatest penalties.

#### **RESOURCE SHIFT DILEMMA**

##### **Resource shift is premature**

- Previous task is not completed.

##### **Timing of shift is right**

- Momentum of existing strategy is still positive; threat has been verified.

##### **Resource shift is late**

- Opportunity for transformation is lost; decline may be irreversible.

The penalty of lateness is very possibly fateful. Proceed on the paranoid assumption that you will never catch up, which will almost certainly be true. Conversely, you probably can turn back and repair at least some of the damage done by shifting resources too early.

### **PLAYING CATCH-UP**

IBM launched its mini-computer 14 years after Digital Equipment created the market. It launched its personal computer four years after the Apple II.

In both cases the IBM products were very successful - with the PC remaking the market. But when IBM came five years late into the lap-top market, Toshiba was the strong leader in a market already worth \$6 billion a year. With an excellent product, IBM thought it would again catch up. It never has done - and probably never will.

# 1. Managing the change

*Every organization, sooner or later, comes up against the “strategic inflection point” when business starts to decline. Take a new initiative in time, and you win. Miss the point, and everybody loses.*

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## **EXPLOITING THE STRATEGIC INFLECTION POINT**

Do not regard the strategic inflection point as a threat. On the contrary, it is a great opportunity. When Intel at last responded to the crushing Japanese competition in memory chips, it soared to remarkable new heights by exploiting its microprocessors. The delay in exiting memory chips was overcome because the new business had been developed while the old one was still strong.

Intel's management of this particular strategic inflection point contains two essential lessons.

Keep your existing business in the best possible condition. Your business is only as good as its latest results.

Take all adverse trends in actual and forecast results as calls to action; that is, continually develop new products, new markets, new technologies, new processes, and new people.

## **DEVELOPING THE NEW**

- Use the “windows of opportunity” method to identify which new products and markets could be usefully developed or expanded.
- Draw a matrix with existing products on the left-hand side.
- Put your existing customers along the bottom.
- Extend the left-hand side upwards with dotted lines for products under development.
- Extend the bottom line to the right with dotted lines for potential new customers.

Tick each square where you have a customer or potential customer for a product or potential product. The empty squares are your “windows of opportunity”.

## **IDENTIFYING THE COMPETITION**

You cannot develop a successful strategy in a vacuum. Who are your competitors? What are they doing or are likely to do? It is all too easy to concentrate on the rivals you have always faced, even though this may no longer be appropriate. Everybody in computers kept focussed on IBM, for example, and ignored the rise of smaller PC makers who were, in fact, dramatically changing the industry. To avoid such dangers, Grove advises using the “silver bullet” test.

### **THE SILVER BULLET TEST**

Imagine that you and your colleagues have one gun and just one silver bullet each. Ask everybody, including yourself, which competitor they would choose to shoot down by the silver bullet. Expect a quick, unequivocal answer but follow up by asking, "Are you 100 per cent sure?" If either the first or second answers betray uncertainty, or come up with unexpected names, sit up and take notice.

### **FACING THE FUTURE**

"When the importance of your competitors shifts," says Grove, "it is often a sign that something significant is going on." Do not brush new competition aside, or concentrate on its weaknesses.

### **MAKING THE FUTURE HAPPEN**

The microprocessor which became the dynamic engine of Intel's supergrowth ("the centrepiece of our corporate strategy") was for long a "dotted line" product.

The untried, unfamiliar micro-processors started with only a few customers, an apparently tiny market and no profits; "in fact, for a number of years we spent more money on developing and marketing them than they generated in revenue". But when circumstances changed "in a big way", Intel had a new and far brighter future to pursue - and to make happen.

## 2. Turning the Organization

*Change cannot be managed without changing people, which means producing different and appropriate behaviour. Achieve this by involving everybody in clear and clearly executed change strategies.*

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### FROM PLANNING TO ACTION

A plan is only as good as the actions that it generates. Many managers spend too much thought on planning and too little on the vital matter of implementation. Andy Grove tells you to test any plan with the following questions:

- Is it just a statement of intention?
- Does it sound like a political speech?
- Does it have concrete meaning only to management?
- Does it deal with events far in the future?
- Does it have little relevance to today?

If you answer Yes to any of these questions, the plan is likely to be as ineffective as most strategic planning. It will not achieve the object of change management, which is to alter people's behaviour — what they do. Grove therefore gives much higher value to strategic actions. To earn his praise, your plan should contain actions.

### DOES YOUR PLAN CONTAIN ACTIONS?

- Are the proposed actions already taken or being taken?
- Do they imply longer-term intent?
- Will those steps immediately affect people's lives?
- Does the action plan consist of concrete steps?
- Do the actions take place in the present and command immediate attention?

### COMMUNICATING EFFECTIVELY

Make sure that everybody hears about your plan: the proposals, the intent, the concrete steps, what it will mean for them, and what is expected of them. However much you communicate, remember, it is never enough. And listen to your staff, often and hard. People all the way down the company are quite capable of seeing what needs to be done, and what needs to be done differently. They are simply unused to being heard, let alone to having their recommendations followed. They are an invaluable source of information and action.

As Grove says: "The process of adapting to change starts with employees who, through their daily work, adjust to the new outside forces." Hold a lot of discussions with employees in their workplaces. Ask questions of these experts. Repeat their answers back to them to be sure you have understood. Act on the valuable lessons you learn, and let them know that you have acted.

### **ACHIEVING A SYNTHESIS**

You want neither top-down management nor bottom-up but a synthesis of the two. The chart shows what Grove calls a "dynamic dialectic". The best place by far is the top right-hand square, where both the actions coming down and the actions coming up are strong.

### **DYNAMIC DIALECTIC**

The best results are achieved when top-down, and bottom-up actions are equally strong, balancing direction with participation.

### **BOTTOM-UP ACTION**

You can have a largely bottom-up system for strategic planning (Intel once did) but that will not cope with "big-time change". Managing such a change requires three elements:

- Vigorous debates in which everyone participates in discussing and arguing about the issues.
- Clear and timely decision-making.
- Total support for the decision once taken.

Merely adopting these elements, for most organizations, will represent enormous change. Trying to manage major change without them is unlikely to succeed.