

Changing the Business While Running the Business

By Brian Brittain

How many organizations have hit a wall and got into big trouble because they were so preoccupied with running the business that they failed to recognize the urgent need to change the business at the same time? Life changed around them, but by the time they woke up to the fact and started doing something about it, it was too late.

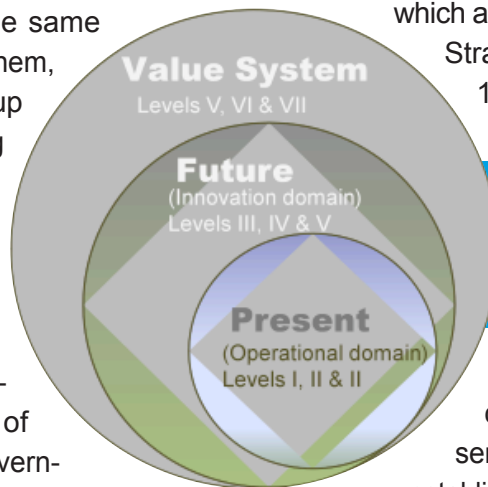
General Motors is a good recent example. How could a company with GM's resources and long history of success wind up seeking government bailouts? How could they have been alert enough to adapt to the changing circumstances, and be more viable today?

In our experience, the main problem is that most organizations – private and public, large and small – have well-established infrastructure, processes and rewards in place for running the business. Changing the business, on the other hand, is something management is expected to do off the side of their desks in their spare time.

We think it's important that companies consciously plan how to change their business while running their business – and structure their work and organizations such that both get done well.

Purpose of Accountability

A company's main focus is generally on running the business, because this is most obviously where money is made and value created in the short term. In the language of the model depicted in the figure below (based on the work of Jan deVitch and Luc Hoebeke, which also builds off of Elliot Jaques's Stratified Systems Theory...level 1-7), we're squarely in the operations work domain.



Three Embedded Work Domains (Building Blocks of 'Size & Focus of Management Role')

The focus in this domain is on creating products or providing services for current customers in established markets. There's a certain amount of change involved, in that running the business includes adapting to the changing needs and requirements of these customers, but it's incremental change. Successful companies are engaged in continuously improving the quality and profitability of the product or service.

In this domain, people work within a given framework of policy, processes and systems, making suggestions on how these might improve. The focus of management is on ensuring effective operational systems and processes. Control and reliability are critical. So are detecting fires and putting them out quickly. There are no "blue oceans" (e.g. newly created markets) being created and dealt with directly in the operations domain. Work is directed to minimizing the amount of blood

spilled in the competitive waters of the existing “red ocean.” (existing customers, markets, products, services, business models, etc.)

Changing the Business

Changing the business is very much about creating blue oceans – new market spaces or innovative ways of working that leave competitors far behind. In this innovation work domain, the focus is on creating value for the future. Trends – market, environmental, regulatory, technological – are used to inform modelling and strategic decisions. This is the world where ideas about new products, services, customers, partners, and business models are formed, developed by project teams, piloted; and then either discarded or embedded into operations. This is also the domain where big, complex, system problems related to current strategy and its execution are addressed.

There is one additional work domain work, that in large companies contains the Innovation and Operations Domain, and is called the Values Domain. A part of this domain (level 5 leadership, which is usually a P & L leader of a large business unit, or an EVP of a global function or division) is about creating the conditions for innovation and successful operating procedures to occur. However this domain (levels 6 and 7, if they exist) is also about changing the structure of entire industries – debating and changing the values, ground rules, and policy. These levels of leadership (six and seven) usually occur only in large global multi-national companies, but are also work that occurs in senior levels

of government. We will not be discussing this Values Domain, beyond its role of creating the conditions for innovation to occur and translate into new operational procedures.

The Problem

Most organizations are heavily tilted in favour of running the business over changing the business. You wouldn't know it from listening to leaders. Their communication is heavily peppered with exhortations like: “We need to be more innovative.”; “We need to take more risks.”; “We need to be open to change.”; “We need to re-invent ourselves.”

When you look for the resources and systems to back up the rhetoric, they're generally and woefully inadequate. Accountability for this work is rarely clear. What an employee would actually do with an innovative idea is even less clear. So you've thought up a “cool new product” – now what? Where do you take it? Who cares? What happens to you if it doesn't sell?

It takes huge personal courage to do the work of changing the business. By definition, a blue ocean is risky uncharted territory with no known solutions to problems that might be encountered and no guarantees of immediate reward. In addition to the dangers from “out there,” there are potential dangers from “in here” – people who are threatened by the change and feel they will lose by it.

It also takes a certain amount of discipline to resist being continually drawn back into the comfort zone of running the business and

putting out fires. This is familiar and safe territory, where the focus is on solving technical problems, most of which we know how to deal with because we've faced them before. This work is more likely to deliver immediate, measurable results. It's valued and rewarded.

Towards a Solution

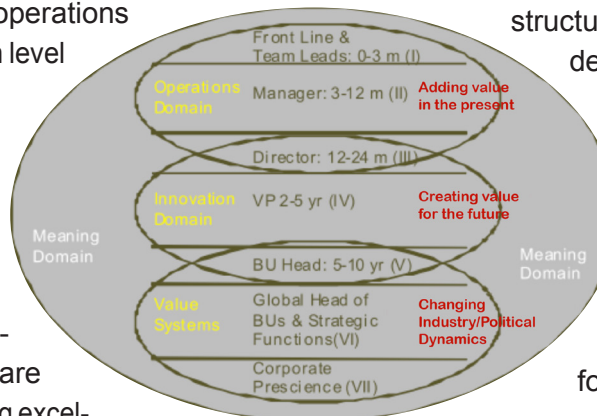
We suggest that a good starting point for righting the balance between these two critical functions is to think about your leadership structure, and make (then communicate) conscious decisions about what percentage of time and effort should be spent in each of these two domains – operations and innovation – at each level of leadership.

In large organizations, running the business is primarily the work of the front line and first two levels of management. These leaders are accountable for delivering excellent products and customer service, continuously improving the quality of those products and services, managing operational systems and working relationships. They are firmly in the world of operationalizing the current strategy.

The most senior level of management in the operations domain has the challenge of straddling the two – operating as a “hinge” between operations and innovation. These are the people called upon to lead and participate in project teams that are running experiments

and piloting innovations. They create the short-term project management structures that make sure experiments are disciplined and focused, and lead to sound decisions on whether to pursue or reject ideas.

As you move up the next levels of leadership, more and more time should be devoted to changing the business – continually monitoring trends, identifying threats and opportunities. At the top level of leadership, more focus shifts to another domain called the values domain. As I mentioned earlier in the article work in this domain is about changing the structure of entire industries – debating and changing the values, ground rules, and



Levels of Work and Leadership Themes

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policy. But that's a topic for another article.

The Quality of Leadership

In an article entitled “Why Senior Leaders Fail,” I explored the reality that skills and qualities that make leaders successful early in their careers could in fact become liabilities as they take on larger and more complex roles. Successful leaders in the operations domain are results-driven, decisive, able to mobilize a small in-tact team, disciplined, in control. They are good at managing technical problems and getting their teams focused quickly on a solution.

Successful leaders in the innovation domain are generally described in quite different terms: alert, agile, curious, open, empathetic, courageous (enough to make a call when you are not quite sure, or to intentionally lose a battle to win the war), good listeners, comfortable with ambiguity, and patient. At this level, leaders not only have to direct their teams, they also have to influence their peers and those to whom they report. They need to work with others to collectively address a complex problem that has no right answer, just worse answers and better answers.

This requires self-awareness and what Robert Kegan has called “self-authorship.” By that he means the individual is less motivated and directed by others, and more likely to act out of a grounded sense of self, informed by a personal set of evolving principles, values and practical wisdom. Such leaders are capable of seeing the world as both/and, not either/or. They know how to deal with paradox: They’re able to hold two opposing ideas or positions (like centralization/ decentralization; cost containment/investing in growth) in their heads at the same time, without rejecting one of them out of hand.

The best are able to create an environment conducive to innovation – in which the centripetal forces of respect, common vision and commitment are greater than the centrifugal forces of competing values, ideas, backgrounds, and opposing points of view. It’s in this kind of “pressure cooker” that novel opportunities and solutions are most likely to be conceived.

This is a very different quality of leadership than is required to successfully manage operations at lower levels of the organization. It requires a higher level of raw horsepower, interpersonal skills, social-emotional intelligence and wisdom

A Need for Investment

In our experience, too few organizations have explicitly thought through the need for sufficient investment in infrastructure and leadership development to support the “changing the business” imperative. We think they should – not because the “running the business” work is less valuable, but because doing both well in parallel is key to sustainable competitive advantage and business success.

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Brian Brittain is the owner of Entheos Consulting group, bringing over 30 years of experience to his role as a advisor to CEO’s and other senior leaders on how best to align the business requirements and changes with the capability (cognitive, social-°@ emotional, and motivational capacity) of the leadership talent.

We welcome feedback to this [Insight](#).
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