Leading Change

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THE CHANGE IMPERATIVE

If changing—personally, professionally, organizationally—were a simple, straightforward process, we would see many more dreams realized, visions actualized, and missions accomplished. In real life, producing relatively minor changes can require considerable ingenuity and discipline, and planned, systematic, large-scale change is the rare exception that proves the rule: *changing in major ways is a tremendous challenge*. The only easy course—not to change—is highly dangerous in the world in which we live and work these days. Therefore developing your capacity to lead change should be one of your highest professional priorities and a preeminent responsibility. Our purpose in this chapter is to provide you with very practical, down-to-earth tools that you can use in leading change in your own career, in your organization, and in the wider institution. Our concern in this chapter is real change—action, not words, no matter how artfully expressed or how beautifully bound. Our practical counsel is based on recent dramatic advances in the field of nonprofit and public planning, which has moved well beyond old-time, control-oriented, long-range "strategic" planning. Planning, as we outline here, should foster and facilitate systematic innovation, supported by the annual operating budgeting systems rather than "monster" five-year plans.

We begin by discussing the need to play a leading role in producing organizational change and the various forms that self-directed (as contrasted with externally forced) change can take. Next we examine the daunting challenges that make producing significant change so difficult and discuss why traditional, comprehensive, long-range planning has failed as a change management vehicle. We then look at what you can do as a leader to foster an innovation-friendly organization, after which we turn our attention to the key components of a powerful, recently developed process that has proved highly effective in producing strategic change at all levels—individual, organizational unit, and institution: Strategic change portfolio management. After discussing how you can create a change-friendly culture in your organization and addressing the implementation question, we conclude this chapter with a real-life case of successful application of the portfolio approach: the ACUBO 20/20 Initiative.

Surviving, growing, and thriving—professionally and institutionally—in today's rapidly changing, always challenging, and frequently threatening world depends heavily on developing the capacity to produce change rationally and systematically. Rational change is explicitly aimed at addressing the highest-priority issues (both opportunities and challenges) facing you or your organization. Systematic change is the product of well-designed, orderly processes that continuously generate change and keep it within manageable bounds, preventing needless disruption. The choice you and your institution face is not whether—but how—to change. Either you learn to lead your own change, or the forces at work in the wider world-new competitors, lower cost alternatives, new models of learning and effective training, growth in demand, technology—will do the changing for you, usually with maximum pain and suffering. Digging in your heels, circling the wagons, clinging to past practices are a surefire path to professional and institutional stagnation and decline.

Change can take many forms: in concepts, philosophies, programs, products, services, facilities, technologies, processes, systems, attitudes, behaviors, relationships, image, and more. Change can also be more or less "strategic." In this book we are most interested in strategic change—professionally, organizationally, and institutionally—by which we do not mean change for some arbitrary period of time, such as three, five, or ten years, which is the product of some kind of comprehensive long-range planning process. Rather, we are talking about change that, in your (or your institution's leaders') judgment: (1) responds to high-stakes issues in the form of significant opportunities to move toward your professional or organizational vision or to remove significant barriers to such movement; (2) is likely to produce enduring, significant professional or organizational impact; and (3) is too complex to be left to business as usual or to be handled through your organization's operational planning/budget development process.

The process of producing change, no matter how strategic it might be, involves two essential capacities: innovation and implementation. We define innovation as the process of generating concrete "change chunks" ("change initiatives" in scientific argot) and implementation as the process of translating them into practice. Innovation can be broken into two subcapacities: creativity, which is the capacity to generate possibilities for change, and a planning process, which enables you to select the right possibilities and to translate them into change chunks. As we discuss below, traditional, long-range, "strategic" planning has proved to be a notoriously ineffective innovation vehicle. We propose that you employ a more powerful planning approach that we call "strategic change portfolio management," which we will describe in elaborate detail later in this chapter.

BUCKING THE ODDS

Things are constantly changing—inside each of us and all around us—and, as we have pointed out, the dramatically increasing magnitude, pace, and complexity of change these days make this a challenging world (and also, we should note, an exciting and high-opportunity world). Although change in general is a constant, we cannot say the same for thoughtfully conceived, well-planned, and carefully executed change—individual and organizational—that strays very far from the way things are. Rational, intentional, significant change is so rare outside of a crisis situation, such as the outbreak of war between a board and its president, the breakdown of a student registration system or the failure to get paychecks out on time, that we celebrate those rare instances when large-scale change is accomplished, enshrining them in case histories whose lessons are diligently studied.

Indeed, leading and managing significant innovation and change is so challenging that, in recent years, a whole subfield has grown up under the broad management umbrella called "change management." Unfortunately, the near field of change management has tended, up to now, to be preoccupied with techniques for getting the "troops" to go along with planned changes, while paying much less attention to the qualitative question: What change makes sense?

Why is it so tough to lead and manage innovation and change in our lives and our organizations? Experience has taught us that the five most significant barriers to successful leadership of change are normal human resistance, the pressure of day-to-day events, scarce resources, inadequate planning process; and incomplete information and changing circumstances.

Fear of changing is apparently a common human trait, rather than being the preserve of the weak and unduly fearful. Have you met many people who truly relish the possibility of major change in their lives or in their organizations, when it threatens to alter their status and cause discomfort by changing the work they do or how they accomplish it? We certainly have not, and we seriously doubt that you have either. Indeed, you might want to seek therapeutic help if you find yourself waking up every day with the question, "How can I change in important ways today?" The psychological and spiritual literature well document the anxiety—and hence the resistance—that the prospect of change can kindle in the breasts of normal, intelligent, hard-working human beings, not just those suffering from major neuroses. Even just contemplating the theoretical possibilities for change that exercising your creative capacity might produce, much less specific change targets, can cause fear and anxiety. The philosopher and early psychologist Sorin Kierkegaard aptly called anxiety "freedom's possibility," and the psychologist Rollo May has written about the courage that is required to venture onto the terrain of creativity and to grapple with what he calls the "creative confrontation."

More often than not, so far as we can tell, at the heart of resistance to change is a very powerful emotion: fear—of being inadequate to the new demands, of failing and suffering humiliation, of being seen as inept or weak, or, if in a position of authority, of having that power and status diminished. This emotion is so powerful that we have come to think of leadership largely in terms of overcoming people's resistance through inspiration and motivation, and anyone aspiring to lead change will underestimate natural human resistance at his or her own peril. You should also keep in mind that resistance to change could be especially insidious and pernicious in its unconscious form, i.e., when the fearful person is not even consciously aware of the emotion of fear. There is a phenomenon we have often observed in major change efforts: "killing change with a million rational questions." This is the familiar resident, self-appointed devil's advocate who, like a bulldog, examines proposed changes from every conceivable angle, asking one what-if question after another, never finding satisfaction, wearing colleagues down and dampening their enthusiasm. The traditional campus governance process is a model for killing change. Up to a point, of course, any rational person should examine the possible consequences of proposed changes; after all, we have all encountered plenty of ill-advised proposals. But past that point, we are dealing with a person whose unrecognized emotion fuels irrational resistance.

Making the job of a change leader even more challenging is that, in addition to normal emotional resistance to change, you must also contend with the inexorable press of day-to-day operations and the scarcity of resources to apply to change. You, like your colleagues in your institution, probably find that your current responsibilities not only consume every last ounce of energy and minute of time that you have, they occasionally threaten to overwhelm you. You are hard-pressed to scrounge up enough time to answer your e-mail, go through your in-basket, or return your phone calls, much less keep up with your professional reading. Even if you are a CEO, you are not the undisputed lord of your domain; crises continue to happen, and key internal and external stakeholders, such as a powerful board member or the state chancellor of higher education, can always lay a claim to your time and attention. Not only are time and energy at a premium, few nonprofit and public organizations, including higher education institutions, are fortunate enough to have a huge reserve of unrestricted money to invest in innovation. Only an elite few can easily come up with the millions of dollars to finance a major innovation target, and your organization unit might be lucky to find a spare thousand or two.

Under these somewhat grim circumstances, which virtually all of us share, producing significant innovation requires a well-designed planning process that is highly selective, well protected from the never ending demands of the day to day, and resistant to the allure of comfort and safety that comes from standing pat. We wish we could simply point you to long-range, "strategic" planning as the solution, but, alas, traditional, comprehensive, long-range planning has proved to be an abysmal innovation tool.

GOODBYE FIVE-YEAR MONSTER PLANS

We believe that comprehensive, long-range, so-called "strategic" planning for arbitrary periods such as three, five, and sometimes even ten years may very well have been the invention of a Soviet ministry, probably agriculture or manufacturing, during the Stalinist era. Such planning has sacrificed millions of trees and countless hours to produce weighty planning tomes that have generated little important innovation. Although such planning is clearly on the wane—having largely disappeared in the for-profit sector—five-year monster plans are still being produced here and there in the public and nonprofit sectors, including higher education.

Four reasons, we think, explain the persistence of such an ineffective innovation tool. First, the comprehensive nature of the process makes it familiar and comforting, since it deals mainly with what an organization is already doing, hence avoiding the anxiety that conjuring up possibilities for change might generate. Second, comprehensive long-range planning provides the illusion of security and control in a rapidly changing, often frightening world; after all, things have been tied down for the next three, if not five, years. You should never underestimate how powerful the longing for control and security can be in confusing and threatening circumstances. Third, the process does produce an important benefit: education of participants. It is not possible to play an active role in updating your organization's five-year plan without learning a tremendous amount about its current programs and how they are funded and carried out. And fourth, a long-range plan, especially if it is attractively illustrated and handsomely produced, can serve as a marketing and political tool: evidence for the wider world of organizational planning capacity and seriousness.

Since traditional, long-range planning of the three- or five-year ilk is a dying beastie, we do not want to spend much time beating on it. Eventual extinction is certain, and so we only want to touch on the critical conceptual and operational flaws of the process. At the top of the list is the futility of projecting, in any detail, current programs and services into the future much beyond the coming year, in light of the rapidly changing world. This is the principal reason why three- or five-year plans virtually always end up gathering dust on a shelf, rarely if ever consulted, until it is time to update them again. The comprehensive nature of the process, with its attention to replanning what is already happening and basically confirming the conventional wisdom, inevitably overwhelms serious innovation, which requires focused attention. And, to add insult to injury, arbitrary time periods such as three, five, or ten years have nothing to do with reality; they are the invention of control-oriented planners longing for certainty. Nothing in nature or human affairs follows a three- or five-year rhythm, as far as we have been able to tell.

Now, we do not want to give the impression that we are crazed incrementalists or impassioned antiplanners (although it is true that we do not have a fetish for planning tomes). The point we want to make is that planning in detail everything your organization is already doing very far into the future is likely to be a waste of precious time, producing neither real security nor much innovation. This does not mean you should not project trends and explore possible consequences. For example, it makes the best of sense to extend institutional revenue and expenditure lines into the future, noting where expenditures might begin to outstrip revenues and brainstorming possible initiatives that might be taken in the near term to avert the projected crisis. Note, however, that this example involves analyzing trends as a device for identifying a potential issue and then considering near-term action to avert a problem. It is anything but a comprehensive, long-range financial plan that comprehensively projects detailed expenditures by organizational unit into the future for an arbitrary period.

There are specific areas that lend themselves to formal long-range planning, such as capital construction and scheduled facility maintenance. Case Western Reserve University, for example, is—as we write this chapter—constructing a stunning Frank Gehry-designed building for its Weatherhead School of Management. You can be sure that a detailed, long-range plan is being followed—from raising money and developing the broad design parameters and specifications to sending out invitations for the ribbon cutting years later. We also do not intend to suggest that your institution or organizational unit is not now producing innovation. Our point is that your formal planning process should foster and facilitate systematic innovation, rather than burying it in paper describing what is already going on. One of us did a research project some twenty years ago that vividly demonstrated how formal planning and innovation can diverge—at a high cost to the institution.

It was a study of the linkage of significant investments in innovation over a period of five years with the formal five-year planning process at a three-campus higher education institution serving approximately thirty thousand full- and part-time students. During the period examined, a number of significant investments were identified, including developing an impressive new center for delivering customized high-tech training for local businesses and a state-of-the-art student registration system, but not one could be traced to the formal, five-year planning process. In every case the original idea came from outside the planning process, and the development occurred outside the process as well, including allocating the funds. The most that the formal, long-range planning process did was to eventually integrate the innovation into the long-range planning document, once it had received presidential blessing. In other words, the formal planning process served a useful purpose as historical recorder and supplier of context; but as a device for innovation, it was a clear bust and has since been dismantled.

To take another example of the futility of formal, long-range planning for an arbitrary period of time, one of us vividly remembers sitting late one evening with colleagues in the management and budget services office of a higher education institution, wondering how we could sensibly project our activities, year by year, into the future for five years, as the institution's strategic planning process required. We finally decided that we would take the mechanistic approach of increasing activities 5 to 7 percent annually, and we would also take the prior year's five-year goals statement and change the infinitive clauses ("to do ... " for readers under 40) to participial clauses ("doing ... " for the same younger group). "After all," as one of our colleagues pointed out, "no one's going to read the thing anyway, much less pull it out to review a year from now."

READYING YOUR ORGANIZATION FOR INNOVATION

The single most important step that you can take as a leader to build the innovation capacity of the organizational unit you head is to establish a contemporary planning process that is designed to produce innovation regularly and systematically, rather than saddling your organization with the antiquated, long-range planning process described above. In addition to this "planning system" solution, discussed in detail following this section, you can make your organization more innovation friendly by

- Building an internal climate that fosters and celebrates creative thinking,
- Preparing your staff to participate effectively in the innovation process, and
- Legitimizing the process through your serious participation.

Keep in mind that creativity is essentially the capacity to generate the ideas that fuel the innovation process, providing it with the possibilities for change, which eventually become concrete "change chunks." As a leader, you are in an ideal position to build an internal climate in your organization that is conducive to creative thinking. In the first place you can make clear that creativity is one of your top-tier values. More important, you can demonstrate your seriousness by welcoming new ideas and avoiding punitive behavior that discourages creative thinking, such as humiliating or otherwise punishing staff who make mistakes in their efforts to take fresh approaches to problem solving. You can also encourage your staff to become more knowledgeable about the creative process by circulating pertinent books and articles and by providing them with educational opportunities, such as conferences and workshops.

When you have made a commitment to launch a serious innovation planning process, such as the strategic change portfolio management approach discussed below, you will want to make sure that your staff both understand the reasons why the process is being undertaken and receive a thorough orientation on the steps involved. This will not only breed commitment to participation, but will also help to lessen the anxiety that new processes inevitably cause. You will also want to confer legitimacy on the process by seriously participating yourself, rather than merely exhorting the troops and then disappearing into the inner sanctum, reappearing only at penultimate points in the process. Your personal, visible leadership throughout the process is the surest way to teach your staff that it is worth their serious involvement. You can also build legitimacy by making clear, at the onset, that you intend to allocate resources to the change initiatives that eventually emerge from the process. In other words, make sure your staff understand why and are oriented, participate yourself, and allocate resources.

STRATEGIC CHANGE PORTFOLIO MANAGEMENT IN A NUTSHELL

We want to acquaint you with a powerful new approach for systematically, continuously producing concrete, real-life innovation that has been successfully tested in recent years in nonprofit and public organizations of all shapes and sizes: strategic change portfolio management. A variation on the broad strategic planning theme, the strategic change portfolio management process has nothing in common with wish lists of five-year goals or "blue skying" for an imaginary five-year cycle. Rather, it is a very practical and down-to-earth mechanism for investing finite and precious organizational resources in particular "change chunks"—above and beyond what the organization is already doing as set forth in its annual operational plan and budget. These investments are made year by year as a way of moving toward an organization's vision of the desired future (see Figure 3.1).

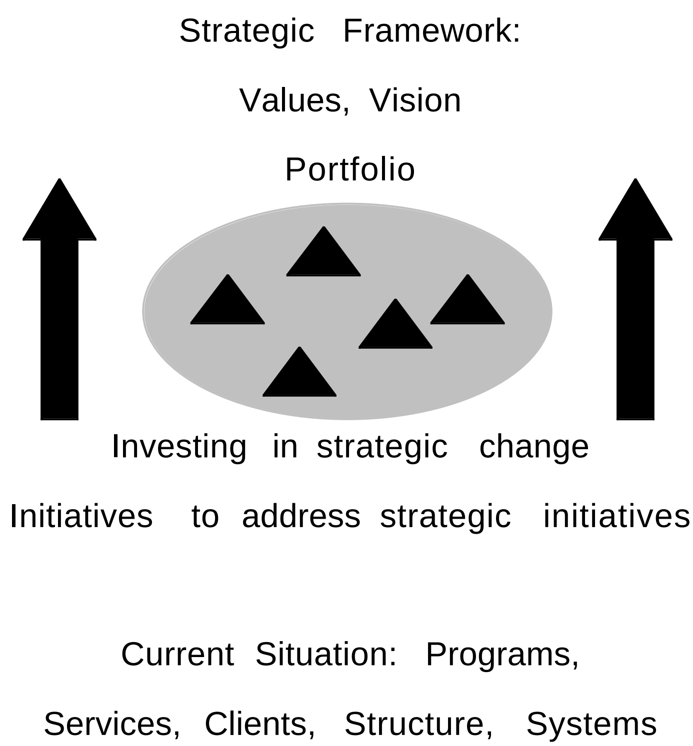

Figure 3.1. Strategic Change Portfolio Management in a Nutshell

Interestingly, this poststrategic planning approach to generating and managing change draws more from the product research and development work of for-profit businesses than from the field of nonprofit/public planning, which has tended to remain wedded to elaborate, long-range planning. The strategic change portfolio management approach has also been heavily influenced by the research of Rosabeth Moss-Kanter at the Harvard Business School and others focusing on large-scale business innovation. Books like Moss-Kanter's *When Giants Learn To Dance* support what we have learned from experience: that the total innovation process—from fashioning specific change targets and projects through implementing them-must be protected, nurtured, and managed through formal structure and process that is kept separate from what Moss-Kanter calls the "mainstream" of organizational planning and management. Otherwise, the "newstream" will be overwhelmed by the requirements of business as usual. The two organization-within-an-organization approach to protecting change through a dedicated structure consisting of ad hoc, special-purpose bodies such as steering committees, task forces, and development teams.

The strategic change portfolio management process is characterized by:

- Guidance by a clear "strategic framework" consisting of values, vision, and mission;
- Process flow through an annual planning stream concurrently with, parallel to, and separate from the annual operational planning and budget preparation stream, hence doing away with the mythical planning hierarchy that has five-year goals and strategies serving as a kind of conceptual umbrella for annual plans (see Figure 3.2);
- A focus on particular, highest-priority strategic issues, in the form of opportunities to move toward the envisioned future and of challenges—barriers and threats—standing in the way of realizing the vision;
- Generation of "strategic change initiatives"—very practical projects aimed at addressing the selected strategic issues;
- Management of these strategic change initiatives in a strategic change portfolio that is keep separate—and protected—from day-to-day operations; and
- Meticulous attention to implementation of these strategic change initiatives through well-defined structure and process.

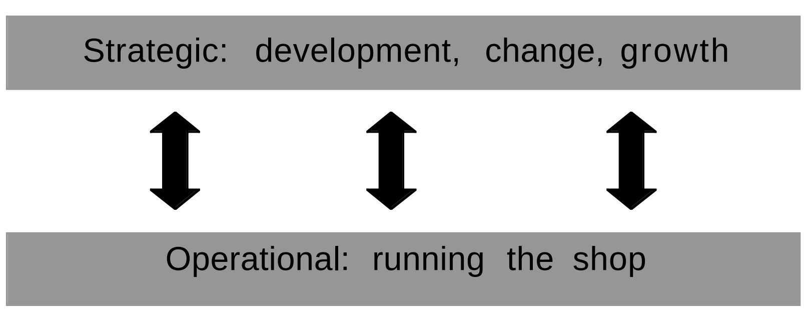

Figure 3.2. The Strategic Change and Operational Streams

The strategic change portfolio management approach is independent of scale and can be applied to produce innovation at any level: for individuals, organizational units, total institutions, and even interinstitutionally to address issues transcending particular institutions. The strategic change initiatives that make up an individual's or organization's change portfolio will typically relate to diverse issues; for example: the need to strengthen image; the opportunity to apply a powerful new technology; demand for a new service; disappearance of a major funding source; erosion of your relationship with a critical stakeholder. At any given time, each of the strategic change initiatives making up your portfolio will involve a different time frame: for example, refurbishing your image is planned to take 14 months; putting the new technology into operation, 42 months, or 3 years; launching the new service, 18 months; and replacing the funding source, 6 months (see Figure 3.3). So much for five-year planning! As the years pass, complete initiatives drop out of the change portfolio and new ones are added to deal with newly identified and selected issues, all within an evolving strategic framework of values, vision, and mission.

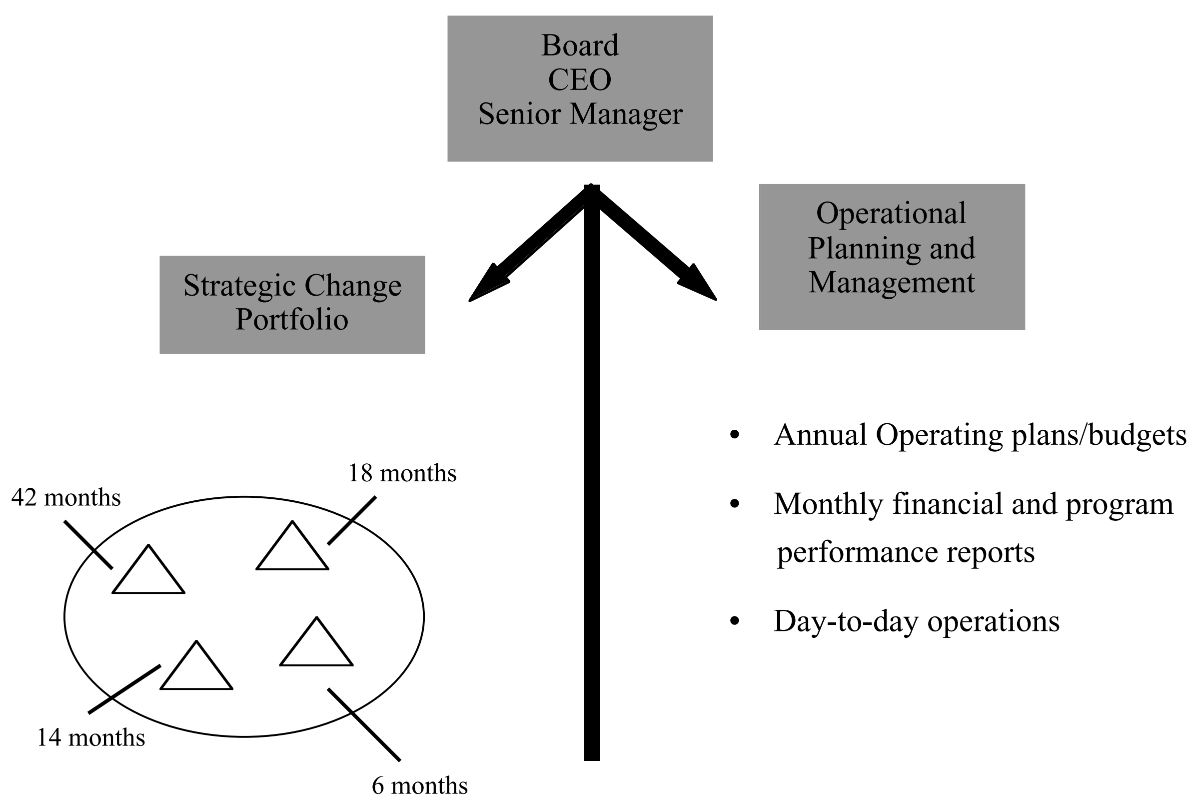

Figure 3.3. Strategic Change Portfolio

As we will discuss in greater detail below, many organizations and institutions employ an annual one- or two-day retreat involving their board, chief executive, and executive managers as a vehicle for kicking off both streams that comprise the annual planning cycle: the operational planning and budget preparation stream and the parallel, but separate strategic change portfolio management stream. An intensive retreat (also known as "strategic work session" or "advance") enables institutional leaders to back away from—and get on top of—detail: revisiting and perhaps updating values, vision and mission; surfacing strategic issues by examining conditions and trends in the outside world and inside the institution; exploring those issues and brainstorming possible change initiatives to address them.

We will now look at each of the key elements of the strategic change portfolio management process, after which we will describe two real-life applications of the portfolio logic and methodology: Cornell University's transformation of its process for communicating with and registering newly admitted freshmen and a national innovation effort—ACUBO 20/20—involving the National Association of College and University Business Officers (NACUBO) and the four regional associations that, with NACUBO, make up the Association of College and University Business Officers (ACUBO) "family." For illustrative purposes, before turning to the case studies, we will use a hypothetical institutional Division of Financial and Administrative Services, which you head as administrative vice president, as the organizational unit applying the process. Keep in mind that the model can be expanded to encompass the whole institution or contracted to a subunit of the division.

VISION: THE OVERARCHING INTELLIGENCE OF CHANGE

In Chapter Two we define the three elements of an organization's strategic framework—values, vision, and mission—and discuss them in the context of a leader's inspiring and motivating her or his followers. Here we want to take a closer look at vision as the true intelligence and driver of the strategic change portfolio management process. Without a clear, detailed vision for the future, an organization—regardless of its size—cannot rationally select the right strategic issues on which to focus above and beyond merely "running the shop." Keep in mind that strategic issues are opportunities to move toward your vision or barriers that stand in the way of movement toward your vision. Thus vision is a key player in the drama of issue identification and selection. However, many people and organizations manage to avoid doing serious visioning, in our opinion, because "that vision thing" appears too abstract to be of practical significance and also because it raises fundamental questions about changing actions and behaviors, which tends to cause real discomfort.

You can think of vision as a multifaceted picture of the organization you want to develop over the long run (somewhat akin to the traditional five-year goals statement—without, of course, the meaningless time frame). There is a virtue in painting this picture of the desired future in as much detail as you can; otherwise, it does not function well as the standard by which to identify strategic issues facing your organization. You will hear people talk of vision as a succinct statement amounting to no more than one or two sentences that capture the desired future in a nutshell, but keep in mind that this is a summary of your vision for public relations purposes. The detailed vision, in all its glory, is what you need to succeed at leading change.

The senior managers of our hypothetical Division of Financial and Administrative Services can, for example, envision the division's future in terms of its long-run impacts on the institution around it; its role in the institution; how it wants to be viewed by "outsiders" in the institution, especially key stakeholders; and the kind of culture it wants to create internally. The division's fully fleshed-out vision might include such impact elements as an institution whose board is knowledgeable about the institution's financial condition; an institution whose leaders and managers possess the financial information they need to anticipate possible problems in the future; an institution whose administrative support systems capitalize on technological advances; an institution whose budget preparation and control processes strengthen management accountability throughout the institution; an institution whose wider public understands its financial dynamics. The vision statement might also describe the division of the future as innovative and flexible in meeting institutional needs; an active participant in, and supporter of, institutional growth and development; responsive, helpful, and friendly; a place where people can grow professionally; and an environment where creativity can flourish.

Visioning should be a dynamic, ongoing process involving the senior staff of the division for three very good reasons. First, the division's environment—both within the institution and beyond—is always changing, and these changes will now and then raise vision-level "should we?" questions. For example, the defeat of an institutional tax increase by county voters makes it clear that the division should include playing a key role in educating the public about institutional finances as an essential vision element. Or, the appointment of a new president who is knowledgeable about and places a high priority on institutional long-range financial planning suggests that the division should envision actively supporting the new CEO in his financial leadership role. Second, visioning is a demanding creative process that benefits from the active involvement of division senior managers, who bring diverse expertise, experience, and perspectives to the table. And third, the commitment of the division's senior managers to the vision will depend on the ownership they feel, which can come only from participating in shaping the vision. For these reasons, it makes sense for the division's senior managers to revisit vision annually in a retreat setting, at which they can also identify and analyze strategic issues facing the division.

STRATEGIC ISSUE IDENTIFICATION AND SELECTION

The sad reality is that the time, money, and other resources that you can commit to strategic change, while also carrying out the day-to-day responsibilities set forth in the annual operational plan and budget, are finite and extremely precious. These limited means require that you and your colleagues be very selective in choosing the few strategic change initiatives that you can afford to implement at any given time. Choosing the "right" initiatives in terms of the ratio of benefits produced to the cost of producing them depends on identifying and selecting the right issues. As we wrote earlier, an issue is a "change challenge" in the form of an opportunity to move toward your vision or a barrier to that movement. The top-tier—"strategic"—issues are the ones that you and your colleagues decide deserve very special attention as part of the strategic change portfolio "stream," rather than being left to normal operational planning and budget preparation, because they are too high stakes and complex.

A strategic issue asks you the question: "Should my organization do something it is not now doing to deal with this issue?" Issues can relate to emerging new needs, process design flaws, technological advances, human relationships, external relations, internal leadership and management, and more. Let's take our hypothetical division, whose vice president and senior managers have spent a day together in a retreat setting, updating their vision and surfacing issues by examining conditions and trends external to the division and by analyzing divisional strengths and weaknesses. The issues that have emerged from this session include an outmoded financial aid system that cannot keep up with the rapidly growing student population and changing federal regulations and that is attracting lots of negative attention, not only from aid candidates, but also increasingly from the institution's board; the need to respond to a memo from the president asking for thoughts about designing more creative board involvement into the budget preparation process; an apparent style clash between the division vice president and the president that has dangerously eroded their working relationship; growing frustration among members of the board's operational oversight committee about the hard-to-understand financial reports they receive; the inability to fill vacancies at the entry level in the division in a timely fashion, leading to service shortfalls, overextended staff, and eroding morale; the rising cost of vehicle maintenance, reflecting an aging fleet; and the need to assess a new bookstore inventory management system now on the market that promises significant savings over the long run.

How should the division go about ranking the issues to determine which ones deserve attention in the near term and which can be put on hold for later? Experience has taught us that it makes sense to come at this critical task from a cost—rather than benefit—perspective, asking the question: What will be the direct and indirect (lost benefit) costs that we can anticipate paying if our division does NOT act on the issue NOW? This damage control approach may seem a bit negative, but it is the quickest way of determining which issues are most critical to the continued health and well-being of the division. For example, the potential cost of not acting on the outmoded financial aid system would, most likely, be high enough for this issue easily to make the first cut: unhappy students/customers, severe negative financial consequences, and erosion of division credibility in the eyes of the board and president. By contrast, the cost of not moving on the new bookstore inventory management system would clearly be lower: inefficiency that keeps costs higher than they might otherwise be. The cost of not acting to improve the financial reports that are making the board members on the operational oversight committee unhappy and frustrated is, by definition, potentially huge, in light of the board's power to cause pain and suffering among institutional executives.

In determining a set of issues to be acted on during the coming year, the management team of our hypothetical division must flip over the coin and look at the likely cost of acting, not just the price of inaction. From this perspective, the cost of a new financial aid system would be much greater than the installation of new inventory management software in the institution's bookstore. However, the student aid problem is not only much more visible, it also is at the heart of the institution's mission, unlike the question of bookstore efficiency. The potential cost of dealing with the frustrated board members on the operational oversight committee is fairly low, perhaps merely redesigning report formats and fine-tuning briefing techniques.

The ideal mix of issues will combine no more than one or two high-stakes, high-cost issues, such as student aid, with some high-stakes, low-cost issues, such as financial reporting to the operational oversight committee and the style clash with the CEO. Issues that are distinctly second tier in terms of the stakes involved, such as vehicle maintenance costs and bookstore inventory management, can sensibly be put in the holding pen (a kind of "tomorrow file")—not to be forgotten, just to be addressed when it makes more sense.

BUILDING AND IMPLEMENTING THE PORTFOLIO

Having selected the issues it intends to focus on now—during the current planning cycle—you and your division managers can turn to fashioning the strategic change initiatives that will make up the division's current strategic change portfolio. A strategic initiative is, very simply, an action project consisting of familiar elements:

- An analysis of the issue being addressed, breaking it down into its component subissues;
- An overall change target;
- A set of objectives;

- An action plan, specifying the steps to be taken, the deadlines, and accountabilities; and
- An expense and revenue budget for the initiative.

This is familiar territory. What makes the strategic change initiative "strategic," entitling it to a place in the division's current portfolio, is its tie to a particular strategic issue that the division managers have selected.

Take the example of the board operational oversight committee's unhappiness with the current financial reporting. Let's say that as the division vice president, you have appointed three of your senior managers to serve on a task force to come up with a strategic change initiative to address the selected issue. This task force has developed the following initiative:

Detailed analysis of the issue, drawing on interviews with committee members, indicates that it breaks down into four related subissues that need to be addressed:

1. The absence of committee ownership of the reports, which the group merely inherited, rather than playing a part in designing;
2. The lack of focus and selectivity in the reporting, which provides so much detail that it tends to overwhelm committee members;
3. The complete absence of creative graphics to highlight points and facilitate painless understanding; and
4. The lack of incisive commentary with the reports, directing attention to particular potential or actual problems and suggesting possible solutions.

The overall change target is to have an improved financial reporting process to the committee, fully implemented by the beginning of the new fiscal year on July 1, five months from now.

The specific objectives are as follows:

1. To build committee commitment to the reporting process by creatively involving committee members in shaping it,
2. To make better use of the committee as a resource by directing its attention to particular financial issues emerging from the reports, and
3. To facilitate committee understanding through the use of visual aids and commentary.

The implementation steps involved are as follows:

1. An initial committee work session for the purpose of identifying the subissues that the committee wants to see addressed, including the committee's perceived needs;
2. The staff task force design of a new reporting format;
3. Review of the format with the president's cabinet and, after its approval, presentation to the committee; and
4. A trial run to work out kinks.

The budget for this initiative is modest—basically the time of the task force—and so no new funding is required.

We took a simple example to illustrate what makes up a strategic change initiative. You will recall that a three-person task force was appointed to come up with the initiative. Whether involving a three-person task force from one division or seven task forces drawn from diverse campuses and departments in a huge institution, the process of fashioning strategic change initiatives is likely to succeed if you

- Choose task force members carefully, making sure that participants not only bring the requisite knowledge, skills, and energy to the task, but also satisfy political requirements (such as geographical, organizational, racial, and gender diversity).
- Make sure the task force chair possesses the intellectual and facilitative skills, knowledge, commitment, and reputation or presence required to lead the task force through the process successfully.
- Provide the task force with a clear, detailed charge so that members can hit the ground running, without having to meander around trying to figure out what they are supposed to be doing.
- Ensure that the task force is supplied with the resources required to do the job, including such items as a serious commitment of member time (rather than asking for the infamous 27-hour day) to work on the task force; adequate orientation and training; meeting space; a professional facilitator, if called for; supplies and equipment; and the like.

Keep in mind that the structure and process required to fashion strategic change initiatives will be more elaborate as the scale grows significantly, along with the technical and political complexity: for example, the strategic change portfolio management process of an entire educational institution versus that of two or more independent organizations as with the ACUBO 20/20 case discussed below.

Experience has taught that managing your organization's strategic change portfolio—implementing the strategic change initiatives that make it up—is far likelier to be successful if you follow some simple golden rules:

- Make sure that the strategic change initiatives that are adopted for inclusion in your portfolio are thoroughly developed, including the financial requirements, and are technically and politically feasible. It is especially important that the implementation plan be realistic, setting a pace that can be sustained without overextending your staff. Attempting to draw blood from the proverbial turnip is the opposite of sound leadership, and burning out your staff is abusive to boot.
- Make sure that, taken together, the strategic change initiatives comprising your strategic change portfolio do not stretch your organization too thinly. The objective is not to shoot high and miss (known as the Don Quixote approach to change), in the process demoralizing your staff and killing the credibility of the process, but rather to hit targets—on time and within budget.
- Make sure that the strategic change portfolio consists of both long-and shorter-term initiatives. Including some less complex and costly initiatives that can be implemented in the near term is a tried and true way to build enthusiasm and commitment to the change process, while also building a "line of credit" to draw on when tackling more complex and expensive initiatives.
- Take steps to build ownership of the initiatives and to reduce normal anxiety and resistance. Perhaps the most important step you can take in this regard is to make sure that as many of your staff as possible are involved in the issue identification and selection steps and in fashioning the strategic change initiatives themselves, typically employing ad hoc mechanisms such as task forces.
- Continue to keep the strategic change portfolio management process separate from the operational planning and management process of your organization or institution, employing committees and task forces that are never involved in day-to-day operational matters. This typically involves the same cast of characters wearing different hats at different times for different purposes and never confusing what they are doing when. For

example, the management team of our hypothetical Division of Financial and Administrative Services might meet every week as the normal management team, attending to operational matters and keeping each other up to date on team members' activities; however, every month, they meet as the division's "Innovation Steering Committee," in this capacity, monitoring the implementation of the strategic change initiatives in the portfolio and nothing else. Same people, different hats, and the twain do not—by intention—meet.

We bring this chapter to a close by describing two highly successful applications of the strategic innovation portfolio approach, which have not only resulted in concrete innovations, but have also provided a model for continuing change management in their respective settings. We will begin by examining the Cornell University experience in overhauling its process of communicating with and registering newly admitted freshman, which involved one of us—then a senior vice president at the institution—as the officer in charge of the innovation effort. We will then describe the ACUBO 20/20 Initiative of the National Association of College and University Business Officers and the four regional Associations of College and University Business Officers, with which both of us have been involved—one as CEO and the other as consultant and facilitator. ACUBO 20/20, which has been underway for two years as of the time of this writing, has already proved to be a powerful vehicle for innovation under the most difficult of circumstances: five independent nonprofit associations in a collaborative effort. Our point is simple: if the five associations collaborating in the 20/20 Initiative can make practical use of the portfolio approach, you can be sure that any educational institution or any of its divisions can, too.

THE CORNELL UNIVERSITY INNOVATION EFFORT

Cornell University's process of communicating with and registering newly admitted students in the spring and summer of the year preceding the start of fall classes was highly decentralized. Each of the nearly 20 departments involved in the process, including admissions, financial aid, housing and dining, the health center, library, and athletics, as well as the seven undergraduate colleges, employed its own publications and methods of interacting with parents and prospective students. Although there was—and is—a central administration admissions office, there are also admissions offices in each of the seven undergraduate colleges. Thus, once the decision was made to admit students, each department that needed to communicate with students and their parents proceeded to "do its own thing." The resulting inefficiency and confusion were made readily apparent during an administrative staff meeting when a

Cornell employee, who was also the parent of an incoming freshman, shared with the group some 10 pounds of admissions- and registration-related material that had been received from April through the end of August.

As the administrative staff of several departments pondered this problem, the idea developed that there should be a coordinated, institution-wide process to reduce the cost and confusion of this obviously expensive and disjointed activity. Staff did some other quick checking on related problems, finding a high degree of frustration on the part of newly admitted students and their parents, who were unable to obtain quick and accurate answers to their questions. In many instances, incoming phone calls were transferred as many as six times before a prospective student or parent received the definitive answer to a question.

A senior vice president (one of the authors of this book) was designated as officer in charge of this effort, recognizing that a high-level champion with "organizational horsepower" was needed in order to bring about coordination and cooperation across so many departments. An overall project leadership group—representing all pertinent departments and consisting of the leaders of several project development teams—took responsibility for defining the issues, securing the support of the deans of the schools and colleges and other senior administrators, and providing overall policy direction and oversight. The project teams were responsible for working out detailed approaches to such key components as a unified communications piece and the compilation and mailing of documents in time for the April 1 deadline.

The overall leadership group, recognizing the importance of support from the college deans and departmental managers in key areas, decided to stage a dramatic event. It was intended to highlight the inefficiency of the existing processes, the confusion created for prospective students and families, and the obvious expense resulting from the lack of coordination. Over time, this event, by the way, gained the status of an institutional story/legend demonstrating how a commitment to higher ends and a sincere desire to cooperate overcame traditional boundaries and rivalries (see Chapter Two). The story was repeated countless times over the years to inspire further coordination and process improvement.

The senior vice president serving as officer in charge of the initiative was able to assemble the president, chief academic officer, deans, and all of the senior department heads of the affected areas in a conference room in order to explain the initiative and to secure their understanding and support. The dramatic event that kicked off the discussion was the dumping of the more than 10 pounds of documents, brochures, and flyers onto the table around which everyone was seated, accompanied by the statement, "Surely we can do better than this!" This dramatic staging of the obvious inefficiency of such an uncoordinated and expensive process turned everyone into a supporter from the get-go.

The end result of this innovation initiative was a major overhaul of the communication and registration process. Numerous documents that were formerly mailed separately along with letters of acceptance were now consolidated into one coordinated brochure for such things as signing up for residence halls and dining services and including the necessary financial aid forms. Other materials that had previously been sent out separately (and obviously at a considerable cost) were incorporated into one mailing pamphlet that included all of the forms that a student needed to fill in before arriving on campus and an envelope to mail all of the completed forms back to one office. Along the way it was determined that much of the material did not need to be presented to students and parents until they actually arrived on the campus. Significant savings resulted from reserving this material until registration, when students had already arrived.

The major changes in the communication process exposed other inefficient processes. One glaring problem was that the financial aid office was unable to calculate student aid awards in a timely manner because the decision on the next year's tuition rate was not set until the governing board's spring meeting. The senior vice president discussed this problem with the president, and board chair, and the board subsequently decided to move its vote to set tuition to its January meeting.

The coordination and development teams did not fade away after the completion of what became known as the Red Book (produced in Cornell colors). Rather, the structure in subsequent years continued to take advantage of opportunities for improvement in the registration process. For example, by allowing the early submission of a student photograph, ID cards could be generated before the student actually arrived for the fall semester. This helped to prevent the long lines of the past, which, while they provided opportunities for meeting students of the opposite sex, signaled poor customer service to parents.

THE ACUBO 20/20 INITIATIVE: A CASE OF INTERASSOCIATION INNOVATION

For the past two and a half years, the five allied but independent associations that make up the "ACUBO corporate family" have been engaged in a far-reaching, collaborative change initiative, "ACUBO 20/20." ACUBO 20/20, which employs the strategic change portfolio management approach to generate strategic change initiatives, is jointly "owned and operated" by four regional "ACUBOs" (Associations of College and University Business Officers)—the Central, Eastern, Southern, and Western—and the National Association of College and University Business Officers (NACUBO). The four regional ACUBOs and NACUBO are professional associations with institutional memberships representing all types of higher education institutions. Although membership in one of the regional ACUBOs is required to join NACUBO, institutions can belong to a regional ACUBO without also having to join NACUBO.

During this two-year period, the five collaborating associations have laid a firm foundation for significant interassociation change:

- A detailed ACUBO 20/20 design was developed, consisting of a 20/20 mission statement, the identification of five "issue areas" within which specific strategic change initiatives are to be fashioned, a 20/20 governance and management structure, and a detailed planning methodology.
- The leadership of the five "ACUBOs"—in an intensive one and a half-day strategic work session ("advance")—solidified joint ownership of the ACUBO 20/20 design and developed strategic guidance for the 20/20 Task Force and development teams that are the vehicles for generating strategic change initiatives in the five issue areas.
- The five development teams were established, and as of January 2001, all five had generated recommended strategic change initiatives.

Although implementation of the recommended strategic change initiatives is in the early stages, we are convinced that the first act of the ACUBO 20/20 drama—laying a firm foundation—is worth sharing. There is no question in our minds and in the minds of our ACUBO colleagues that a strong foundation has been laid for leading interassociation change and that ACUBO 20/20 will achieve its intended result: important, practical, affordable change in "chewable bites" that is aimed at strengthening member services.

THE GENESIS OF 20/20

The genesis of the ACUBO 20/20 program can be traced back to the annual NACUBO board retreat (called an "advance" in NACUBO parlance) in January 1999, at which several questions were raised about the membership and dues structures of the five associations. Following up on the retreat, NACUBO's president and CEO assembled a small group of volunteers at NACUBO headquarters for the purpose of brainstorming how the five associations might work together in addressing the membership and dues issues. At the conclusion of a very productive and often exciting day of brainstorming, this informal advisory group concluded that the membership and dues issues could not be "effectively addressed as isolated issues" and that the "ever-more-turbulent environment and evolving member needs called for significant, systematic innovation."

The initial brainstorming group also "recognized that addressing the strategic issues facing the ACUBO family must be part of a wider and more searching process characterized by open inquiry, rigorous planning methodology, extensive participation from all five ACUBO associations, and strong, high-level direction from the ACUBO 'Strategic Leadership Team.'" The name "ACUBO 20/20" grew out of the preliminary brainstorming. It not only symbolized the ownership of all five members of the ACUBO "family," but also the future orientation of this evolving innovation initiative.

DEVELOPMENT OF THE ACUBO 20/20 DESIGN

Armed with the recommendations of this brainstorming group, the NACUBO CEO requested that the presidents of the four ACUBO boards and the NACUBO board chair designate representatives to serve on an ACUBO 20/20 Task Force, whose challenging task would be to fashion a detailed ACUBO 20/20 design, while also doing preliminary work on the substantive issues that the 20/20 effort should address. Over the course of two, very intensive, daylong work sessions held in the summer and early fall of 1999, the 20/20 Task Force fleshed out the design of ACUBO 20/20 and secured the backing of all five boards for launching this complex and ambitious innovation program.

At the heart of the design, according to the March 2000 ACUBO 20/20 "Activity Brief " issued by the 20/20 program staff, is that ACUBO 20/20 is "basically a large-scale research and development program that is jointly owned by the five ACUBO association boards. The establishment of this dedicated structure and process, which is kept out of mainstream, day-to-day operations, ensures that the work can move forward without distraction or disruption." The 20/20 Task Force also developed the following specific design elements:

- A basic 20/20 mission: "To fashion and implement innovation projects in the form of strategic change initiatives. The initiatives are intended to: better serve ACUBO members; meet emerging member needs; grow the ACUBO associations in terms of membership, financial resources, and management capacity; and to promote collaboration and cooperation among the five ACUBO associations."
- The identification of five issue areas within which strategic change initiatives would be developed: membership diversification and growth, program/service/product development and delivery, financial resources, image/public relations and alliances, volunteer and staff roles/subregional structures;

A planning, management, and coordination structure that includes

- The 20/20 Steering Committee, consisting of the presidents of the five association boards, responsible for policy oversight of 20/20, for ensuring adequate resources to carry out 20/20, and for serving as liaison with the five association boards;
- The 20/20 Task Force, responsible for providing hands-on coordination and direction to 20/20;
- Five development teams consisting of volunteers representing all five associations, responsible for fashioning the detailed strategic change initiatives in the five issue-areas being addressed by ACUBO 20/20;
- The 20/20 officer-in-charge, NACUBO's senior vice president for organizational advancement and member resources, to oversee NACUBO staff support for 20/20, to serve as principal liaison with the NACUBO CEO and executive team (senior managers) on 20/20 matters, to be NACUBO's principal liaison with the 20/20 task force, and to oversee the work of NACUBO's director of strategic initiatives; and
- The NACUBO director of strategic initiatives, a new senior-level position funded by NACUBO, responsible for providing in-depth managerial and technical support for the 20/20 Task Force and Steering Committee and for serving as the hands-on "project manager" for the tremendously complex development team process.

OWNERSHIP AND GUIDANCE AT THE TOP

By early fall 1999, when the ACUBO 20/20 design was well on the way to completion, the members of the ACUBO 20/20 Steering Committee and Task Force recognized that the five boards needed to reach a more formal consensus on the design and also provide strategic guidance to the five development teams whose detailed planning work would be phased in during the spring and summer of 2000. The January 1999 NACUBO board "advance," which had involved regional association officers, had planted the seeds that ultimately blossomed into ACUBO 20/20, and the Steering Committee and Task Force had worked diligently during that summer and early fall to brief all five boards on the emerging 20/20 design and were successful in securing an informal consensus to proceed.

However, more formal buy-in and guidance were clearly essential before the 20/20 innovation process reached the point of fashioning strategic innovation initiatives. Therefore, the ACUBO 20/20 Steering Committee reached agreement with the NACUBO board's Executive Planning Committee that the NACUBO board's January 2000 advance would basically become the vehicle for formalizing consensus and providing strategic direction to the soon-to-be-formed development teams. In effect, the 2000 advance became a 20/20 strategic work session.

The January 20/20 strategic work session achieved fully its ambitious substantive goals. In the words of the February 7, 2000, report on the session, the participants

- Confirmed the key elements of the 20/20 Initiative design;
- Solidified the commitment of its five associations to move forward with the formulation of strategic change initiatives in phases II and III;
- Reviewed and updated preliminary conditions and trends analyses in the five issue areas comprising the 20/20 Initiative;
- Fashioned general strategic guidance for the 20/20 developments teams that will spearhead the development of strategic change initiatives, in the form of
    - A strategic framework consisting of guiding principles and vision statements and
    - Critical issues that strategic change initiatives should address; and
- Examined the potential barriers that might impede the development and implementation of strategic change initiatives and discussed practical ways to ensure that the ACUBO family of associations realizes a powerful return on its investment of time, energy, and money in the 20/20 Initiative.

20/20 GUIDING PRINCIPLES AND GLOBAL VISION

The follow-up report on the January 20/20 strategic work session, which was issued by the 20/20 Task Force, drew out of the January deliberations an overarching set of values (called "20/20 guiding principles") cutting across all five issue areas. Intended to guide and constrain the work of the development teams, these principles completed the sentence, "The ACUBO strategic leadership team believes in ..." for example:

- "The generation of high value to ACUBO members as a return on their investment of time and money in ACUBO activities";
- "Responsiveness to current and future member needs and demands in the design of programs, products, and services";

- "The preservation and enhancement of active volunteer involvement in all five ACUBO associations"; and
- "Aggressive, creative cooperation and collaboration among the five ACUBO associations as key to quality, efficiency and the long-term health of the five associations."

The ACUBO 20/20 "global vision" that emerged from the January 2000 advance was stated in terms of envisioned, fundamental, long-term impacts of the innovation process, for example

- "The consistent avoidance of dysfunctional competition among the ACUBO associations";
- "Programs, products, and services that are tailored to the needs and demands of ACUBO members";
- "Financial stability in the ACUBO family of associations";
- "A larger, more diverse, growing ACUBO membership"; and
- "Deep penetration of ACUBO membership in all types of higher education institutions."

POST-ADVANCE IMPLEMENTATION

With the review and acceptance of the report on the 20/20 advance by the Task Force and Steering Committee and the concurrence of the five association boards, the 20/20 development teams could commence with the detailed development of strategic change initiatives in the five issue areas, armed with ample legitimacy and clear strategic guidance. The Steering Committee/Task Force policy structure was left in place to handle review of strategic change initiatives, to secure the concurrence of the five association boards on particular initiatives, and to oversee implementation efforts. Meanwhile, the new Strategic Initiatives Director position was filled, and the NACUBO executive team was fully involved in providing planning assistance to the development teams. ACUBO 20/20 was now firmly established and on the road to success.

A WORD ON THE APPLICABILITY OF THE 20/20 DESIGN

The ACUBO 20/20 case is useful in highlighting the importance of thinking through the detailed design of any significant innovation effort and showing how not just a board, but multiple boards, might be creatively involved in guiding the process. However, there are two questions we need to address. First, is this much structure bureaucratic overkill? In other words, does it not create a whole new layer of bureaucracy? Our answer is an emphatic "no." Keep in mind the complexity and fragility of serious innovation efforts in any organization, no matter its size or functions. The structure that we described was easily justified by the bedrock requirements of the innovation process. There were no spinning wheels, no new work that was unnecessary. Without the structure, innovation would have been dead in the water.

Second, if you are affiliated with a smaller organization with limited staff and a tight budget, you might be tempted to ask whether structure is much less important to your organization's innovation efforts. This is clearly not the case. The basic structural requirements have nothing to do with scale; you must have board and presidential involvement (if you are implementing an institution-wide process, including smaller-scale projects such as Cornell's "red book" effort), a mechanism for developing strategic innovation initiatives, staff support, and the management and coordination of innovation efforts. Otherwise, you will fail at innovation. Granted, your situation might require a less elaborate structure for managing change than the ACUBO associations, but however you adapt the strategic change portfolio management approach to your organization's unique capacities and circumstances, you must still employ enough structure to protect the innovation process from day-to-day operations and manage the process as you move from vision to strategic innovation initiatives.

IN CLOSING

In this chapter we have made the case that you, your organization, and your institution have no choice in today's challenging world but to develop the capacity to lead your own change—rationally, systematically, and continuously. Leading strategic change is a daunting process, for the various reasons that we discussed, and you cannot, alas, rely on traditional, long-range, "strategic" planning as a change vehicle, in light of its sordid history of deforesting America while producing minimal innovation. You can, however, take advantage of a powerful new approach that is quickly supplanting traditional strategic planning: strategic change portfolio management. We describe the key elements of the portfolio approach in detail and close by examining two significant examples of application: Cornell University's overhauling of its process for communicating with and registering new students and the ACUBO 20/20 Initiative.

In the next chapter we examine the governance "business," which you must master to survive and thrive as a leader.