

Meeting the environmental challenges of the 21st century – TEACHING NOTES (Leading Change)

Synopsis of case

Paul Reynolds, the new chief executive of New Zealand's Ministry for the Environment (MfE), was charged with lifting the performance and changing the focus of the Ministry when he arrived in 2008. While most staff were passionately committed to the environment and determined to do their best, their mainly operational experience and specialist capability were not proving well aligned to the needs of a high-performing policy agency with a leadership role across the natural resources sector. There was a feeling of injustice over recent negative media coverage, and a general misunderstanding about the importance of the relationship with the Minister as a key stakeholder.

The new CE knew significant change would be needed, and that to be effective it would have to be planned and paced. His decision was to first change the organisational structure and only then focus more closely on rebuilding policy capability. The new structure set up the senior leadership team (the Environment Leadership team) as the strategic group, transferring the operational responsibility to the third tier "directors' forum", with training and support put in place for all managers. Greater staff buy-in was sought for the next round of change, with staff emulating the policy development process by carrying out an in-depth problem analysis. When the responses focussed on problems with the quality and consistency of policy, the Ministry initiated a review of policy function, again in consultation with staff. This resulted in the establishment of new teams selected for their general policy experience, communication skills and ability to mentor junior staff, rather than deep knowledge of a specific subject – a decision controversial in some quarters, but by the end of 2011 starting to pay off in lifted performance. New remuneration and performance mechanisms introduced with the People Strategy in 2011 also paid off in increased staff engagement.

How this case could be used

This case can be used for a discussion on change leadership, on building and evaluating policy capability, or to examine the relationship between Ministers and public servants. Leading from the first two topics, there could also be discussion about the relative merits of

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subject experts vs skilled generalists, and how to ensure that staff with a passionate enthusiasm for their subject also maintain their objectivity.

Each part of the case has a different focus: Part A looks at strategy development and organisational restructure as part of the change management process and focuses on the leadership role of the chief executive. Part B goes into greater depth about the building of policy capability and the efforts to monitor the quality of advice as close to real time as possible. In this part, the Deputy Secretary, Policy Division is the principal sponsor for the change process. Part C is an epilogue summing up the effect, after three years, of the changes implemented at MfE, with an emphasis on staff as well as key stakeholders.

This teaching note has been developed around the “leading change” aspect of the case. A separate teaching note will be prepared for the more specific aspects of building and monitoring policy capability.

Target audience for the case

Public servants at the middle and senior management level; those who are managing policy teams as well as those specifically working in the policy area. It could also be appropriate to use the case as part of the induction for public servants who will be working more directly with ministers.

Theoretical frameworks

Fleur Francois, for her paper “Leading Change at the Ministry for the Environment” interviewed first, second, third and fourth tier managers, and staff, including those who had left the Ministry, about their views on the change initiative. The paper draws on insights from those interviews and the author’s experience in evaluating whether this change initiative has added value within MfE and the public sector. It argues that the change has been successful and that a bottom-up and adaptive learning approach to leadership has been important for achieving success.

Francois cites Nadler and Tushman’s (1977, 1980, cited in Nadler 1981) “congruence model of organisational behaviour.” She says it was apparent that MfE was not fit-for purpose due to a lack of congruence between its task, individuals, formal organisational arrangements and informal organisational arrangements.

Nadler’s (1981) model breaks the organisation down into four components:

- Task or purpose of the organisation;
- Individuals who perform the organisational tasks;
- Formal organisational arrangements such as structures, processes, systems; and
- Information organisational arrangements such as patterns of communication, power, values and norms governing how an organisation functions.

Nadler’s model also suggests steps to overcome resistance to and motivate participation in organisational change:

- Identify and surface dissatisfaction with the current stage;
- Build in participation in the change;
- Build in rewards for the desired behaviour; and
- Provide people with the time and opportunity to disengage from the present state.

It is important to use multiple and consistent leverage points to maintain the momentum of change, and to provide some points of stability. As well, there should be organisational arrangements in place to support the change process, for example:

- A project manager, dedicated resources, governance and project management structures to support the transition.
- Feedback mechanisms established to monitor and respond to the impact of change on the organisation.

The model proposes four criteria for evaluating change:

- The organisation is moved from the current state to the future state;
- The organisation functions as planned in the future;
- The transition from current to future state is accomplished without undue cost to the organisation; and
- The transition is accomplished without undue cost to individual organisation members.

Francois also draws on work by Kotter (1995) to assess the implementation of change when there is an “opportunity arising through lack of congruence with the organisation’s current purpose.”

- Creation and communication of a clear vision for change, generation of a sense of urgency.
- Thorough preparation to cope with change by anticipating likely issues and building resilience and support networks.
- Frequent communication of the vision through a range of formal and informal channels.
- Leadership “walking the talk”: demonstrating desirable behaviours and working to change undesirable ones.
- Actively addressing “blockers” and barriers to change, either human or organisational.
- Pacing the rate of change and giving structure to the process: setting clear timeframes, delivering on promises, implementation of decisions.
- Planning to create short-term wins.
- Articulating the connections between new behaviours and the organisation’s successful future state.
- Consolidating improvements and producing still more change.
- Institutionalising new approaches: “change sticks when it becomes the way we do things around here.”

Heifetz’s (1994) work on adaptive leadership and adaptive problem solving is also relevant:

- The situation at MfE could be understood as a Type III problem, because the problem definition was not clear cut and learning was required both to define the problem and implement solutions.
- Due to legacy issues such as poor recruitment and promotion decisions, poor performance management, and rewarding the wrong types of behaviours, many staff found it difficult to identify that there was a problem.
- Adaptive problem-solving was required because of the misalignment of task, staff, formal and informal organisational arrangements.

Heifetz says that leaders need to be aware that adaptive work is stressful as it involves changing values, attitudes, and/or behaviours. Handled inappropriately it may lead to denial, scapegoating, attacking leaders who don’t provide answers, and avoidance of issues and work.

This leads to a consideration of leadership style. Francois cites Kotter in highlighting the importance of the introduction of new leadership at all levels (2nd, 3rd and 4th tier) following the management restructure led by the new CE. This created a “powerful guiding coalition” to support the development of a more aspirational strategic vision for the organisation. It also endorsed the second major change process, where the Deputy Secretary, Policy, was the chief sponsor.

Suggested questions/student assignments

1. What are the particular challenges of leading change and rebuilding an organisation from within, reframing its purpose while maintaining business as usual? How were these addressed at MfE?

- *Using additional contract capability while building up in-house skills;*
- *Choice and timing/pace: e.g. decision to do the change in two stages; delaying the launch of the Strategic Direction until the policy review process was complete;*
- *Building resilience through development opportunities and support systems; involvement of staff as much as possible in problem definition; techniques of adaptive problem-solving;*
- *Keeping key stakeholders well informed of targets set and met.*

2. In some quarters there was criticism of the Ministry for the pace and scope of the change it was attempting. What risks did MfE face by moving quickly, and how did it work to mitigate potential resistance to change?

- *Potential for conflict between different ideologies and narratives at MfE to lead to cynicism and distrust of the change initiative. It could have been seen as “just another cost-cutting exercise” rather than a more genuine effort to improve MfE’s ability to influence the environmental policy agenda.*
- *Resistance from people who disagreed with the problem definition (i.e. saw the Ministry’s role as environmental advocacy) and/or were worried about the impacts on themselves and their friends.*
- *Building in “points of stability” and allowing people time to adjust to the new scenarios e.g. advising them to take a break, refresh themselves at the end of the year, to be prepared for more change, avoid feelings that change has become “too hard”.*
- *Use of rational and intellectual arguments for the change process; willingness and availability of senior managers to debate the issues and acknowledge different opinions.*
- *Implementation of staff feedback.*
- *Clear symbols of moving forward; new job description, new mission statement; new imagery.*

3. How and why did leadership styles evolve and change from 2008 to 2011?

- *Paul Reynolds came in as a change agent, a role that staff expected of him and even welcomed. He created the new vision statement, and took charge of a crucial IT project facing problems.*

- *Early on he signalled a move towards more dispersed leadership, bringing in people from across the organisation to work on the strategic direction, consulting with staff and implementing their feedback on the management restructure, while acknowledging he had pre-empted some decisions.*
- *Building on the strength of the second tier, and trusting the management cohort to run the organisation and keep delivering: creating what Kotter calls a “powerful guiding coalition” of managers at all levels to support and endorse the change message. While Guy Beatson took the lead as sponsor of the policy capability review, he had this support.*
- *“Type III” problems cannot be solved by one person alone and cannot be clearly understood at the outset.*
- *“Walking the talk” by modelling desired future ways of working in conducting the policy capability review.*
- *Rather than giving authoritative solutions, people’s adaptive problem-solving was engaged through frequent communication, interactive workshops, surveys, and one-on-one and group discussions with senior management.*
- *Ongoing role of leadership in keeping the organisation coherent and focussed on its direction.*
- *Consistent personal commitment, e.g. by Paul Reynolds, to the difficult as well as the “exciting” parts of the change process.*

Francois notes that “key external stakeholders have been shocked and impressed by how dramatic MfE’s change process was and want to find out how we did it.”

Guy Beatson highlights the importance of personal commitment:

“You can have the same [organisational] design, use the same product, and not make any difference. ...[the essential ingredient is] the courage to look at capability in a clear-eyed way, to stick to it and live with the consequences.”

4. How significant was the decision, after the management restructure, to invite the staff to participate in the next stage of defining the problems they were facing and the direction they needed to go? How was ownership of the change process maintained?

- *“Actions speak louder than words”; deliberate decision to run the change process in the style of the future organisation.*
- *Finding the focus for innovation from the organisation through problem definition process.*
- *Making use of staff feedback verbatim in further communication of the vision and direction of change.*
- *Involving staff and managers as much as possible in the problem definition, testing and design of solutions, thus highlighting the “bottom up” rather than “top down” nature of the initiative.*
- *Encouraging staff involvement in both formal and informal organisational change; developing skills and establishing frameworks to do so.*
- *Making rational arguments for the rewards inherent in the achievement of change; persuading people intellectually to support change; displaying sanctions to managers undermining the change.*

“[The] most critical variable for persuading any group of people is to start where they are, not where you are. It’s to listen first to what they care about and what they’re thinking and what

they're organising around and then if you want to move them...show them how the logic leads elsewhere than they may have thought it led." (Danzig, 2000, cited in Fredrickson and Matkin, 2007).

5. Where to next? How will MfE maintain a change momentum while consolidating and embedding what has already been achieved?

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