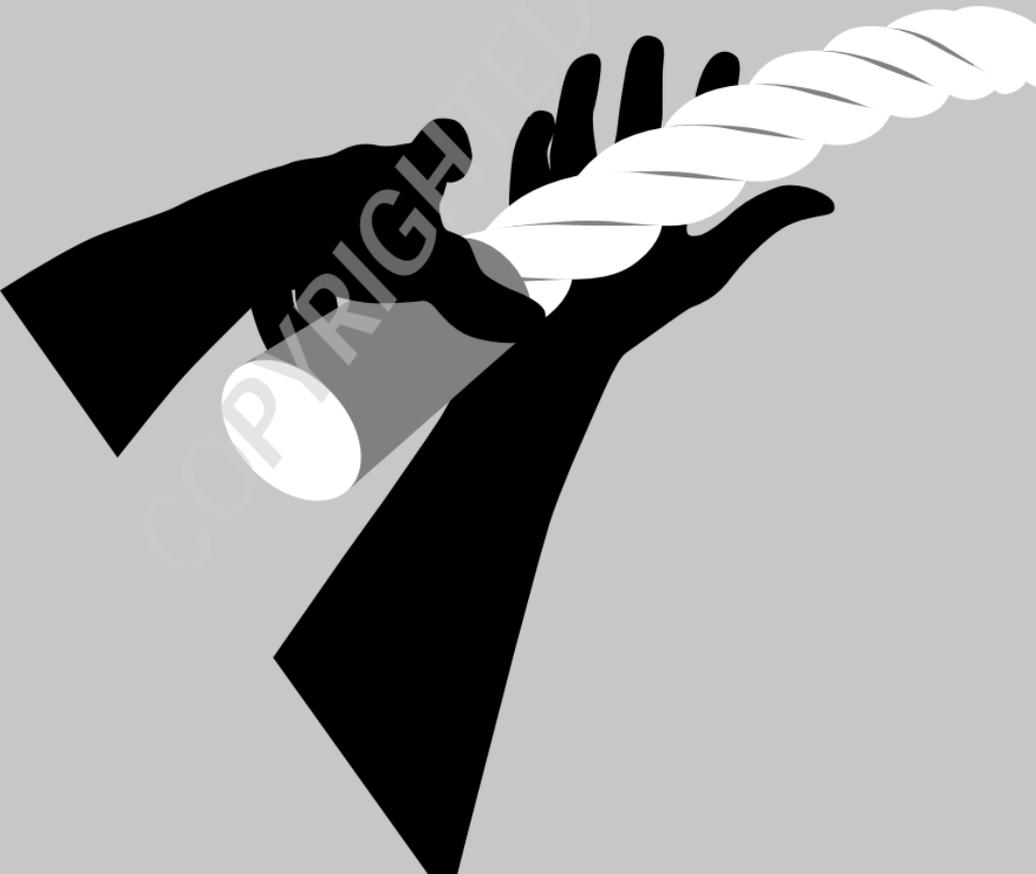# Shift 1

LETTING GO OF THE PAST

I n the book *The Merlin Factor*, Charles E. Smith warned that one of the greatest obstacles to performance breakthroughs in organizations was peoples' beliefs. These beliefs are "logical" (to them) and self-limiting about what's possible for them to achieve – and they're purely based on the past.

Lead from the future

Basing today's actions on past experiences seems to make sense; after all, your decisions in the past enabled you to succeed this far. However, using your past as a point of reference binds you to only those possibilities that lie inside the boundaries of that which you know. We refer to this as the gravity of history.

> "Using your past as a point of reference binds you to only those possibilities that lie inside the boundaries of that which you know."

There is an alternative. Instead of leading from the past, you can lead from the future. In order to lead from the future, you need to define a future achievement that would normally be considered impossible at the time of commitment given the existing ways of working, historical performance and current evidence – and then you make an absolute commitment to it. If you look at all the major innovations and breakthroughs in the world, the common element is that they did not seem possible at the time they were conceived. For example, when Mark Zuckerberg created Facebook he thought 1 million users or being a $1billion market capitalized company would be cool. This goal was definitely not possible in most people's reality or Mark's at that time. Now they have just reached 1 billion users!

> "While theoretically and technically television may be feasible, commercially and financially, I consider it an impossibility."
> *Lee de Forest (inventor of vacuum tube/electronic valve), 1926.*

These and similar breakthroughs required a commitment to a seemingly distant possibility.

An organization that becomes committed to an "impossible" future achievement will produce extraordinary results in the present. This concept is at the heart of delivering something extraordinary in your organization.

Avoid normalizing

In organizations where people typically hold on to the past, leaders face the challenge of normalizing. Human beings

crave certainty and so we seek to keep the status quo. We try to ensure that uncertainty is kept at bay through our organizational habits and behaviours. This often shows up when people are:

- Looking for solutions within the existing environment.
- Rationalizing and justifying.
- Going for something bold, only to revert to wherever the previous bar was set.
- Being driven by poor assumptions.
- Carefully managing risk.
- Making excuses and reverting to their old ways.
- Finding it hard to resolve problems/setbacks.

"IT'S ALWAYS LIKE THIS; IT HAPPENS EVERY YEAR"

An everyday example of normalizing: consider a typical case of someone making a New Year's resolution to get fit. In January they push themselves to visit the gym at least three times a week, yet by the end of March they are struggling to work out once a week, and the new gym kit has been relegated to the bottom drawer!

The situation has "normalized", i.e. this person has reverted to their old ways.

Normalization occurs when poor situations are allowed to exist, poor service becomes "the norm" and the way things are done becomes accepted. If this is the starting point in an organization, it can present a huge challenge to any change programme.

Recognizing and understanding the normalization para-
digm within an organization will help you to generate a
new context for change and successfully make any neces-
sary transitions to a new state. Failure to do so can often
result in failure to implement change.

How to let go of the past

To enable this shift to occur, it's necessary to adopt new
ways of thinking and acting – ones that will enable your
people and your organization to pass through the transi-
tion. At every stage there is a possible conventional way to
react, but we have offered some suggestions for ways to
respond as a transformational leader.

Traditional Leaders:	Transformational Leaders:
• Being self-assured and complacent.	• Listening and adapting.
• Believing their own version of events.	• Progressing and thriving on challenge.
• Accepting and rationalizing organizational myths.	• Being open to new ways of thinking and challenging viewpoints.
• Justifying actions.	• Resolving setbacks and identifying missing factors.
• Having no sense of urgency.	• Acting with urgency.

Creating a vision "free" of the past

The challenge

This organization's cost base was no longer competitive, and they needed to reduce the cost of goods by a dramatic 50%. The primary way to reduce costs sufficiently was to close the manufacturing sites in Europe and move them to China. Senior management wanted to award the contract to their supplier in China; however, there was a four-year history of poor relations between the European site and the Chinese supplier, with a negative cycle of both parties finding fault and complaining about each other. The situation had come to a point where the Europeans didn't believe anything could change, and so they didn't try to make things change. At peak times, this European manufacturing company employed up to 800 staff. The local board of directors, including the chairman and managing director, was not aligned to this change. Over the previous years, whenever a review of company or manufacturing location arose, their rationale for the status quo was so thorough that decision was either delayed or stopped. Data was presented to provide reasons why not.

Progress was continually hampered, and the decision to relocate kept being postponed. The anticipated risks concerned the quality of goods made in China

and claims that the relocation could put 80% of the company's sales revenue at risk (multi £ million).

The perceived risk of poor quality in China was driven by pure assumption. The fact was that the existing site in Europe had experienced several years of poor quality production, and therefore the frame of reference for those at the site was that moving assembly activities to China would be a disaster. They believed that the products were highly sophisticated, and the complex engineering solutions involved a "black art" in the manufacturing process.

The approach

Operational Management aimed for comprehensive analysis to support rational decision making; although there was an initial positive intent to support change, hidden behind this were strong negative emotions. The unions appointed an external consultant to review the business case for change, aimed at confirming their personal opinions – but the business case was financially sound, logical and underpinned by clear actions to manage the risks. An external review was undertaken to assess the capability in China, and this was also positive; in fact, many industries had already successfully moved their technical assembly to China. Once the external validations were shared, listening on both sides

improved. The purpose was now clear, and the decision externally validated; it became possible to align opinions around the need to change in order to remain competitive. The direction was clear, the decision to proceed was finally taken, and all assembly was moved to China.

The results

The perceived risks of relocation never materialized. Interestingly, once the decision was taken to close the European site, performance rose to new highs and broke previous manufacturing output records.

The change was very successful. The *missing piece* from the perceptions and opinions in Europe was the fact that the existing, complex supply chain was a real disadvantage. Quality improved overall and costs were reduced. There was also consolidation of the existing disparate manufacturing processes, which led to an annual cost reduction of £8 million.

What this enabled

In this example, the antidote to normalization was a clear vision and purpose backed up by an externally validated decision to relocate manufacturing

based on proven facts. A strong vision, uncon-strained by past experience and biased opinion, eventually ensured there was clarity of purpose. Making the decision and creating the vision "free" of the past enabled the organization to take mark-edly different action than if they had operated from their concerns and assumptions. This story exempli-fies the power of context and how we need to alter people's frame of reference to allow them to take different actions.

What can we learn from this?

How can challenges like these be overcome quickly?

- Let people vocalize their emotions. Work to uncover and understand the myths and the assumptions being made.
- Get all of the perceived risks out in the open, initially without challenging them.
- Get to the facts quickly and make a bold decision. Both detailed analysis and politics can delay a decision until it no longer seems relevant.
- Be prepared to have difficult decisions validated, and consider using external experts to help support, challenge and drive change.
- Communicate the decision to align management and operations, or the need for change.

• Be prepared to make changes within your management team. Not all the management will align with new ambitions.

• Help people to have "a firm grip" on the future vision, so they can let the past "fall away" – have a clear future vision that is meaningful and can be tangibly measured.

Key takeaway practices

• Uncover myths and assumptions by letting people say what is on their minds – don't react.

• Separate facts and requests from the noise – stories and opinions.

• Focus on the outcome you want versus all the difficulties and what people don't want.

"Argue for your limitations, and sure enough they're yours."
Richard Bach