



# How to Be Effective

*Structuring  
Change,*

*Managing  
Change,*

*Leading  
Change,*

Jonathan L. S. Byrnes

# THE GOLDEN TRIANGLE OF CHANGE

In twenty years of teaching graduate students and executives at MIT, I've received hundreds of calls and emails from former students. The typical email goes something like this:

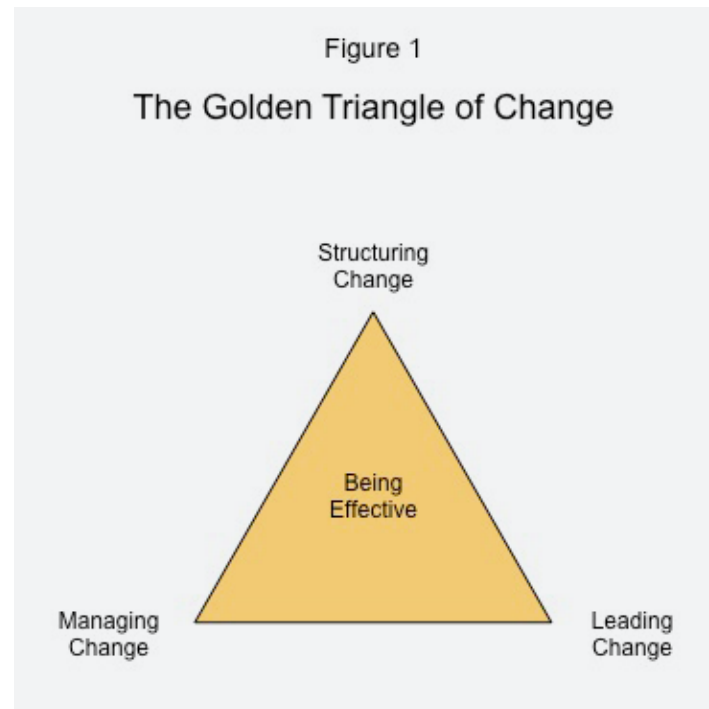
*“I know how to do things better,  
but I can't get people to do it.”*

When I talk to former students, clients, and executives, I've found that their biggest concern is being effective—going beyond conceiving great new things and actually driving them into practice.

I've also seen that most people make two big mistakes when they think about change:

- They fail to realize that managing change requires a really different process from day-to-day management, not harder but very different.
- They approach change in a one-size-fits-all way.

Successful change, being effective, involves three things: structuring change, managing change and leading change. I call this *The Golden Triangle of Change*, shown in Figure 1.



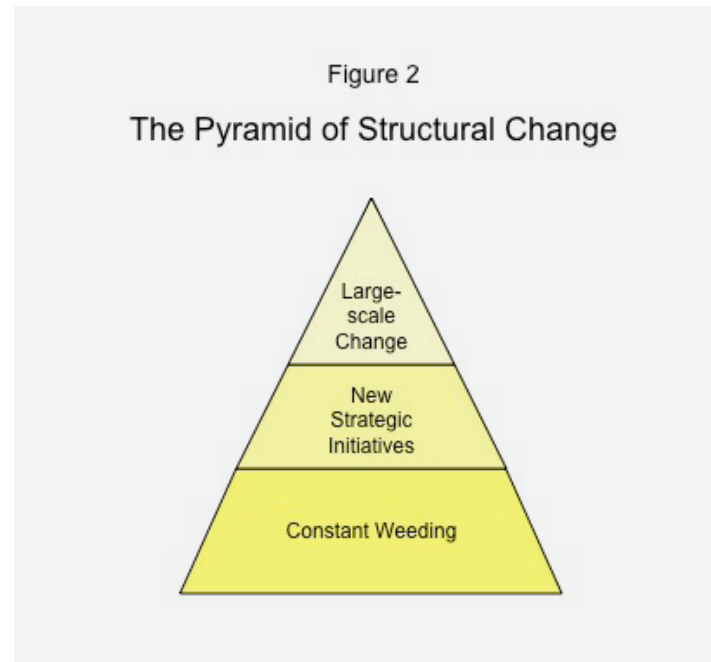
**1. Structuring change** is about matching your actions to the nature of the problem you are working on—what you are trying to change. There are three important and very different types of change, and each requires different structure and process.

**2. Managing change** is about doing the right things to get the people in your organization to do things differently. Some elements of change management require activities in advance of the need—these are often both the most important and the most neglected. Other elements help you be effective during the change process, and still others let you cement the changes in place.

**3. Leading change** is about developing your personal capabilities in order to become an effective leader. Some people are born leaders, but most people can become effective leaders if they consciously work at it.

This manifesto is about how to be more effective at work and in your personal life by mastering the golden triangle of change.

# STRUCTURING CHANGE



The first step in being more effective is to recognize that there are three very different types of change: (a) constant weeding—tuning up the way you do things; (b) new strategic initiatives—trying out new things and scaling them up if they work; and (c) large-scale change—fundamentally changing the way everyone does things. I call this The Pyramid of Structural Change, shown in Figure 2.

## CONSTANT WEEDING

Constant weeding is the most important, but most overlooked change process.

Organizations tend to keep doing more or less the same things, while the world around them—customers, markets, suppliers, competitors—keeps changing. All too many people fail to develop a process for constant weeding. Consequently, they find that their organizations are becoming more and more inefficient, and less and less relevant. Only when it is almost too late, do they reach for a way to create big changes.

Needless to say, it is much better to stay on target.

Think about the biggest issue in business—managing profitability. In my research and consulting with leading companies in over a dozen industries, I have found that 30–40% of every company is unprofitable by any measure, and 20–30% provides all the reported profits and subsidizes the losses. How is this possible?

The answer is a lack of constant weeding. There are three reasons for this.

- First, our accounting systems were developed centuries ago, way before computers, and they aggregate revenues and costs into categories that are too broad to see what is profitable and what is not.
- Second, virtually all sales compensation systems ignore profitability, and simply assume that more revenues mean more profits—nothing could be further from the truth.
- Third, in developing new products, companies fail to focus on the customers that will give them high sustainable profitability. Instead, they create average products for average customers, again reasoning incorrectly that more revenues equals more profits.

Constant weeding is the most important,  
but most overlooked change process.

## THE FOUR KEY ELEMENTS OF CONSTANT WEEDING

Constant weeding requires four key elements to be effective: (1) the right information, (2) the right priorities, (3) the right process, and (4) the right compensation incentives. I'll illustrate each of these using business profitability as an example.

**The right information.** Amazingly, in most companies, if you want to know whether a customer or product is profitable or not, you simply can't find out.

Yet today's standard desktop tools make it relatively easy to analyze the net profitability of each order line, put the information in a database program, and analyze it. Two skilled managers can analyze a multi-billion dollar company in several weeks.

**The right priorities.** Most managers think first about "firing bad customers." Wrong.

Instead, in order of importance, you should: (1) secure your best business so competitors can't get it; (2) get more of the best business, especially by ramping up high-potential underpenetrated accounts; (3) turn around your marginal business, using a variety of techniques to reduce costs while maintaining customer satisfaction; and finally, (4) price your residual unprofitable business at compensatory levels.

**The right process.** When you have the right information and the right priorities, you still need a systematic way to improve things. You can't just send everyone a stack of printouts.

The key is to identify the most important leverage points—those that produce the most gain with the least disruption. Here is my top hit list: (1) agree on the 4-6 standard relationships, ranging from arm's length to highly integrated, that you will offer customers—this will focus your sales process, and enable your Operations to streamline your supply chain; (2) map the market by matching customers to the relationship they should wind up with—but be sure to involve both Sales and Operations;

(3) manage your accounts, systematically moving them to the correct relationship—for integrated customer relationships, think about P&G’s account team at Wal-Mart, which consists of Sales, Supply Chain, Finance, and IT; and (4) focus your product development process on your core set of customers that will give you high sustained profitability and growth.

**The right compensation.** The final element is perhaps the most critical of all: align compensation (especially for Sales) with what counts most—profitability. Sales is the front-wheel drive that pulls your organization through the marketplace. All sales dollars are not equally profitable, and you need to be sure that your compensation system doesn’t tell everyone that they are all equally desirable.

With constant weeding in place, your organization will naturally maximize profitability, and this will eliminate a lot of the need for big, painful retrenchments.

## NEW STRATEGIC INITIATIVES

Once your organization has an effective process for constant weeding, you can create a complementary process for developing and managing new strategic initiatives.

In virtually all companies, the centerpiece for investment decisions is the capital budgeting (business case) process, in which managers rank by their opportunities by projected returns and put money into the most lucrative ones. What’s wrong with this?

In the prior section, I argue that all revenues are not equally desirable—some produce high profits, and some actually produce losses. But are all profits equally desirable?

The answer is no—and the key to understanding the difference between “good profits” and “bad profits” is The Investment Decision Matrix, Figure 3.

Figure 3  
Investment Decision Matrix

Return on Investment	High	<i>Discipline</i>	<i>Yes</i>
	Low	<i>No</i>	<i>Courage</i>
		Low	High
		Strategic Relevance	

The desirability of an investment is not just a function of the likely returns, but also and more importantly, the strategic relevance (whether the investment moves the company's strategy forward).

Two quadrants of the matrix are easy, the other two take some thought. Let's start with the easy ones. The upper right, high returns and high strategic relevance, is an obvious winner. The lower left, low returns and low strategic relevance, is a pretty poor bet.

Think about the upper left, high returns but low strategic relevance. This quadrant is quicksand.

These investments look very attractive, but take the company's capital and focus away from its main line of business.

Let's look at the lower right, low returns but high strategic relevance. These are investments that would show up at the bottom of a simple capital budgeting ranking, but are essential to moving the company forward. Here, the watchword is "courage."

I remember meeting with the top officers of a major telecom company several years ago when telecom companies first began to develop video capabilities that could compete with cable TV.



After discussion, the officers saw that the real question was not whether an initial video investment produced high enough returns—rather it was whether the company intended to remain the dominant communications channel into millions of customers, or whether it was willing to let competitors get an early foothold in its prime market.

The moral of the story: If investments in the upper left quadrant produce “bad profits,” investments in the lower right produce “good losses.”

How is this possible? Investments are virtually always part of larger business or strategic initiatives. The correct frame of analysis is the overall initiative, not just the component investment.

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## LARGE-SCALE CHANGE

Large-scale change is the process of fundamentally changing the way everyone in your organization does things. Most change management books focus on this. Sometimes companies really do have to make big changes—like when they encounter new technologies or regulations. But, more often than not, the need for large-scale change indicates a prior failure.

After all, if an organization has effective processes for constant weeding, it would be maximizing profitability and customer satisfaction on an ongoing basis. And, if it has an effective process for generating and managing new strategic initiatives, it would be developing the right things in advance of market need. In short, the company would already be doing the right things.

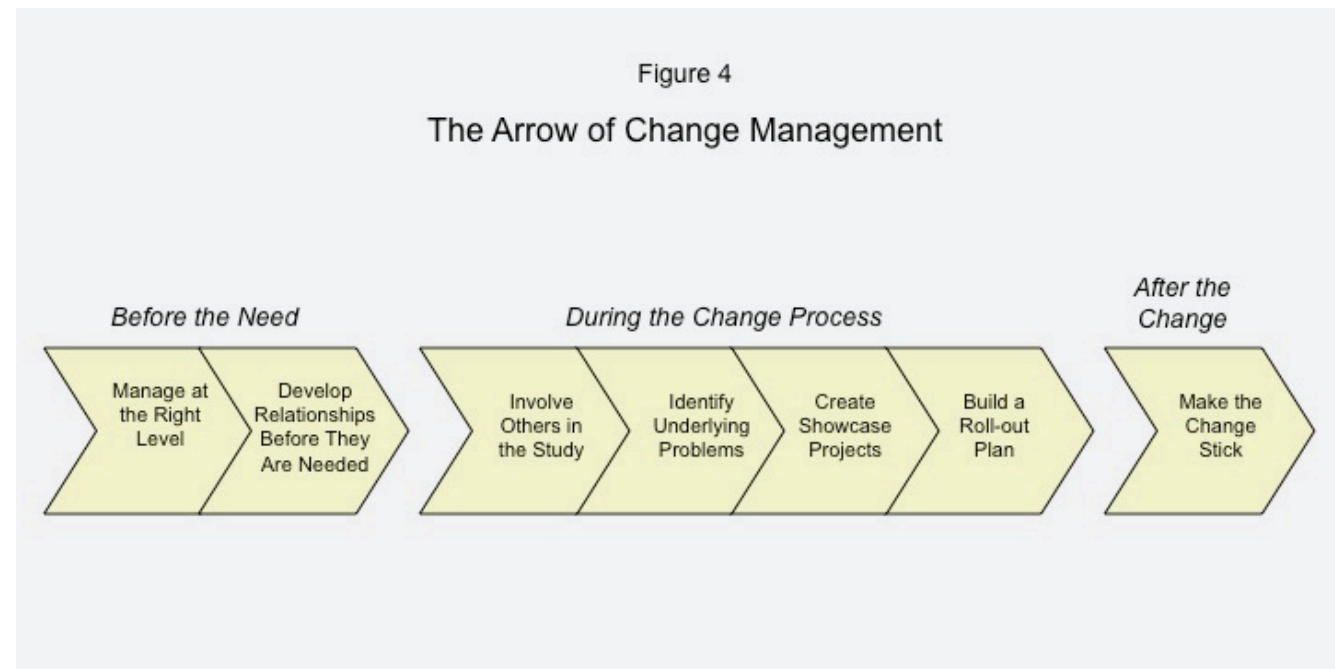
In my experience, four factors are necessary for success in leading large-scale change: (1) extreme clarity about why the change is needed, and needed now; (2) a concrete picture of what success looks like—because people only move toward a new vision if they believe it will be both better than the old, and realistically achievable; (3) relentless messaging and convincing; and (4) base camps in the change process.

The fourth factor, base camps, is especially important. Most large-scale change projects focus too much on the goal, and not enough on the process. The change process is like climbing a mountain, and base camps let different departments change at their natural pace and catch up with each other. They also give the participants the important feeling of structure and progress along the way.

Even with the right elements in place, large-scale change is not linear. Rather, the organization will seem to be stuck in place, then suddenly lurch forward, then pause again. That is why well thought-out base camps are so important.

# MANAGING CHANGE

The process of managing change effectively is one that you can learn. In my experience, there are seven essential elements of change management. Two are critical to put in place before the need, four make you effective during the change process, and one cements the changes in place. I call these The Arrow of Change Management, shown in Figure 4.



## BEFORE THE NEED

Two elements of change management—managing at the right level, and making relationships before you need them—are critical prerequisites for successful change management. Unfortunately, all too many people get busy in their day-to-day work and neglect them. Once they are in the midst of a change project, it is too late to start to create them. This is one of the most common—and avoidable—reasons why so many managers fail to successfully manage change.

**Managing at the right level.** The first step in successfully managing change is to manage at the right level. This may seem obvious, but it is one of the biggest problems in management. When people are promoted, they tend to keep doing the things that brought them success in the past, rather than stepping up to a fundamentally different set of tasks. This creates a situation that blocks change in many organizations: higher-level managers focusing on overmanaging their subordinates rather than moving the organization forward, with the lower-level managers spending most of their time preparing for a grilling.

In short, first-level managers should run their functional areas. Directors (department heads) should spend half their time coaching their managers, and the other half coordinating with their counterpart directors to establish and run the processes of constant weeding and new strategic initiatives. Vice presidents should spend at least 2/3 of their time developing the company as it should become in 3-5 years, since it takes several years to develop a major new initiative.

**Developing relationships before they're needed.** One of the biggest problems in managing change is the failure to develop relationships with counterpart managers well before they are needed. Most change involves multiple departments, and once you have figured out a course of action, it is usually too late to recruit allies. The best relationships are developed in social situations, like over lunch or after work. Unfortunately, most people think they're too busy to spend time on this. Huge mistake.

Developing these relationships enables you to frame change projects that incorporate others' needs and interests, and gives you opportunities to support your colleagues' initiatives. This network of mutual support and cooperation is the absolute prerequisite for being effective in any organization. It also puts you in the center of a cross-functional team of effective, rising leaders.

The change process is like climbing a mountain, and base camps let different departments change at their natural pace and catch up with each other.

## DURING THE CHANGE PROCESS

Once you have paved the way for change by managing at the right level and developing relationships before they're needed, you are ready to manage the change process. This has four important elements.

**Involve others in the study.** In day-to-day management, you typically develop initiatives that primarily involve your own area of responsibility. Then you have a meeting to inform others and coordinate with them. But once you get past these day-to-day tactical projects, change management is different.

Most change initiatives involve substantial transformation not only in your area of responsibility, but also in your counterparts' areas. It is critical to involve them early in the process of formulating the initiative. Many managers shy away from this because they are concerned that they will have to compromise, or they are worried that this will slow them down. However, your counterpart manag-

ers need to be immersed in new way of doing things in order to get intuitively comfortable, and this takes time. Involving them early makes all the difference.

**Identify underlying problems.** If you want to understand why an organization does what it does, look at its situation 5-10 years ago. It takes about seven years to conceptualize, develop, and harvest a major change initiative. Unless an organization is in a very slow-changing situation, or it develops effective processes for constant weeding and new strategic initiatives, its strategy and activities will become more and more obsolete. This is the biggest underlying issue in most companies. If you can identify this disconnect as the reason why change is needed, you can depoliticize the change process.

**Create showcase projects.** A showcase project is a small-scale experiment in doing things in a new way. It is an opportunity for you to “learn by doing.” Showcases are very important because: (1) they give you an opportunity to try new things and make mid-course corrections without the risk of having to scale them up; and (2) they give everyone a concrete view of a new way of doing things and what success looks like—they can come and “kick the tires.”

Many people try showcases with major customers or suppliers, where there is a lot at risk. It is much better to work with a small situation—customer, supplier, territory, etc.—where the conditions are most favorable. An innovative organization will have constant showcases in play as part of the new strategic initiative process.

**Build a roll-out plan.** When you are rolling out a new product, there is a well-known sequence: you map the market, start with the early adopters, continue with the fast followers, and so on until even the laggards come along. You can adapt this process to manage change effectively. It is especially important to utilize the relationships you have built before the need, and to tap the counterparts you have involved in the study, as these most often will be the most receptive for early adaption of your initiative. In a sense, these are your best reference accounts for how well your initiative works.

## AFTER THE CHANGE

Organizations tend to revert to old “tried and true” ways of doing things. This is a real problem in managing change. Once your initiative has been rolled out, some of your most important work still needs to be done.

**Make the change stick.** The key administrative drivers that determine how an organization behaves are: compensation, resource allocation (budgeting), planning, and personell-promotion policies. You need to permanently alter each of these to permanently change things.

Compensation is the most sensitive of these. It directly determines behavior. If you don’t change the compensation system to drive the right actions, your change won’t stick—no matter how correct it is and how sincerely everyone has accepted it. That’s why compensation is the ultimate barometer of top management commitment.

A very effective vice president of a major company once noted to me, “You can explain your vision. They can see your vision. They can buy into your vision. Then they’ll do what they are paid to do.”

Moral of the story: don’t forget to cement your change in place with compensation.

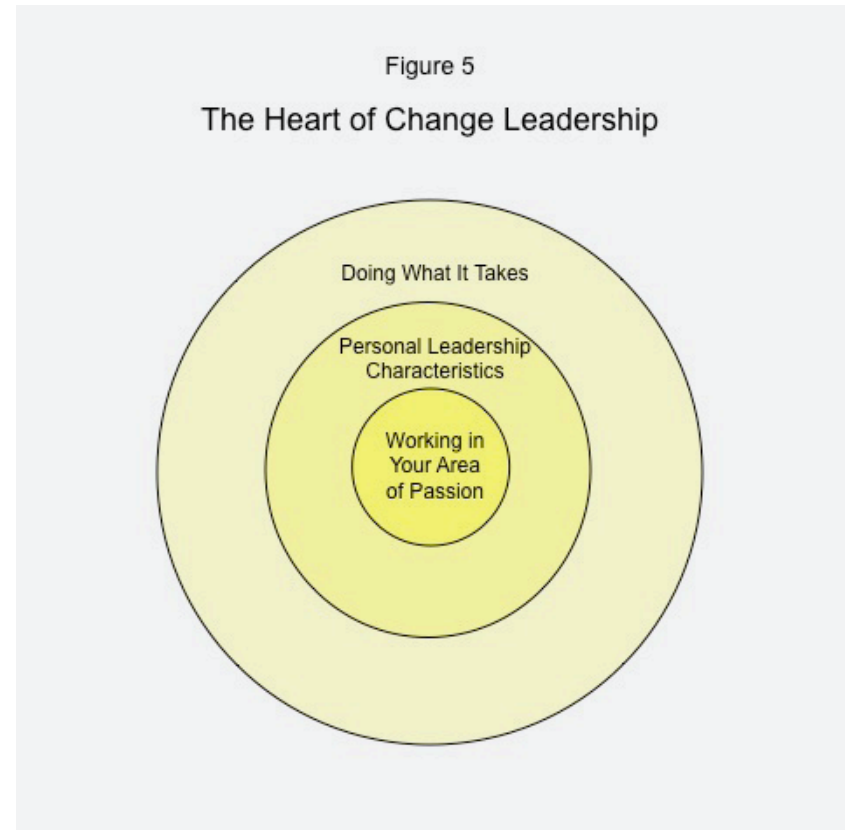
# LEADING CHANGE

On rare occasions, a great natural leader is born. Most of the time, however, moderately talented people step up to the challenge.

Stepping up to leadership requires three essential things:

- (1) wanting to lead—being willing to do what it takes;
- (2) developing the essential personal characteristics of leadership; and
- (3) working in an area you really care about.

I call this The Heart of Change Leadership, shown in Figure 5.





## DOING WHAT IT TAKES

It may seem obvious that you have to decide to be a leader. But effective leadership takes a lot of time and effort. Not only do you have to spend time on managing change, but, just as important, you have to be effective at your “day job” in order to have the credibility to be tapped. You also have to keep performing at a very high level in your “day job,” even while you’re really busy with the change process. This may seem easy from a distance, but it really is a lot of work—and this is why leaders so often are self-selected.

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## PERSONAL LEADERSHIP CHARACTERISTICS

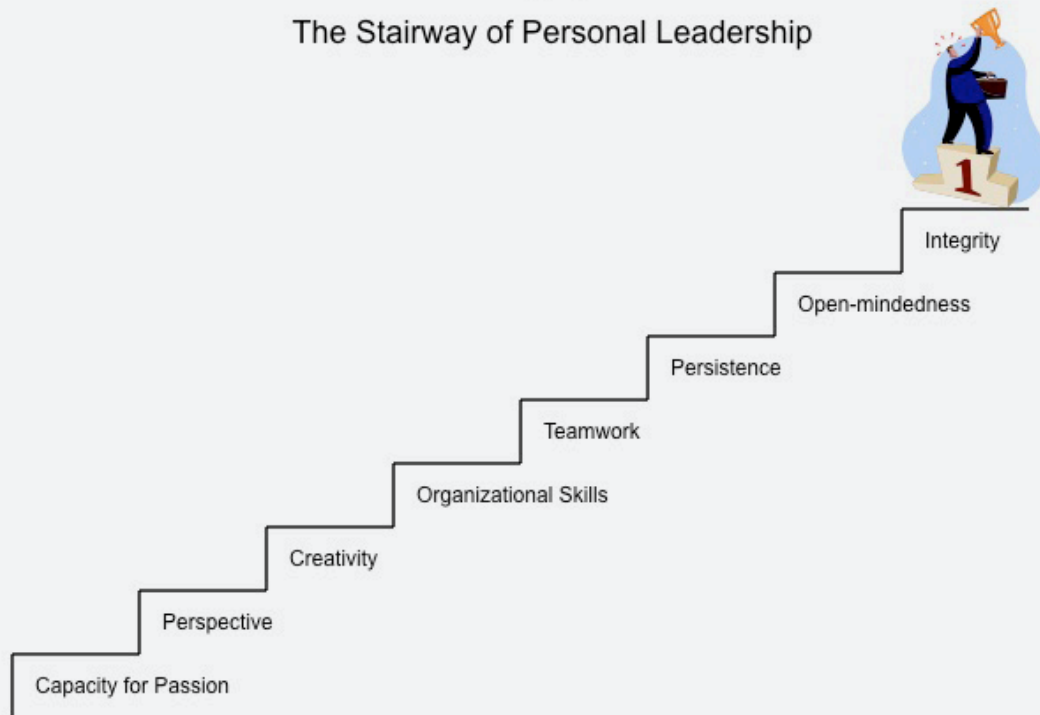
In order to lead major change, you need eight essential personal characteristics. These characteristics are over and above your day-to-day capabilities and the domain knowledge you need to figure out what to do. Here is my list, taken from the “Leading for Profit” section of my new book.<sup>1</sup> I call these The Stairway of Personal Leadership, shown in Figure 6.

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<sup>1</sup> Adapted from *Islands of Profit in a Sea of Red Ink* by Jonathan Byrnes by arrangement with Portfolio, a member of Penguin Group (USA), Inc., Copyright © 2010 by Jonathan Byrnes

Figure 6

## The Stairway of Personal Leadership



**Capacity for passion.** First and foremost, you need a burning drive to make things better. Change management is a grueling process, and passion will see you through it. Some managers just seem to have “fire in the belly.”

**Perspective.** In order to convert passion into action, you must be able to step back and view what you’re doing even while you’re doing it. This capability to reflect while acting is critical to success both in defining what to do, and in making the mid-course corrections that are always needed.

**Creativity.** Once you have a perspective on your business process, it takes creativity to see fundamentally new and more effective ways to do things. Some people are more naturally creative than others, but you can get your creative juices flowing by surveying a variety of business practices in a variety of companies. In good measure, business school case studies offer this perspective. So do business magazines and other publications.

**Organization skills.** Leading major change requires both soaring creativity and mundane practicality. You have to translate a broad vision into a very well organized, practical, step-by-step program. Otherwise, people won't have the confidence needed to let go of the old way of doing things.

**Teamwork.** Virtually all major change involves engaging, persuading, and working with other people. You have to have the organization's best interests at heart, and really be motivated to make things better for those you seek to lead. With this attitude, and a good practical plan, people will be inclined to follow you.

**Persistence.** After passion gets you started, persistence is what carries you through. I can think of several brilliant, creative, passionate managers who came up with great ideas but lost interest when it was time to slog through the implementation. Ultimately, they designed great plays but they never put the points on the scoreboard.

**Open-mindedness.** Large-scale change necessarily involves a good measure of learning by doing. By definition, you're sailing into uncharted waters. A good leader needs a high level of tolerance for ambiguity.

**Integrity.** Last, but by no means least, leaders need integrity. This doesn't just mean not breaking the law. That's honesty, which certainly is an important component of integrity. But integrity goes beyond that. It is a matter of being genuine, being motivated by your deeply held values to make your organization and your coworkers better off. This is where the passion, persistence, and teamwork come from. Without integrity, you're simply promoting yourself, and people will not follow your lead.

## WORKING IN YOUR AREA OF PASSION

I once heard this definition of leadership: leaders are people who leave footprints in their areas of passion. Great definition. Most people focus on the first part, how to leave footprints. But in my experience, the second—working in your area of passion—is the most important.

When I talk to my current and former students about careers and jobs, the first question I ask is: What do you really want to do?

I think of this as the \$10 million test—if you inherited \$10 million, what would you do? Whatever the answer, I suggest doing it now—you'll be happier and ultimately more successful. After all, if you really like what you're doing, you almost can't help but make it better. And that's being a natural leader.

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you almost can't help but make it better.  
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## BEING EFFECTIVE

Everyone is confronted by the need to manage change, whether in business, in a not-for-profit organization, or in personal life. It's simply unavoidable.

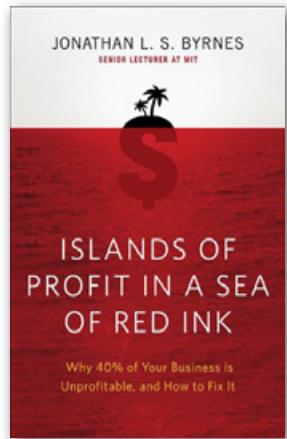
The process of being effective involves navigating the shoals in the river of change. This manifesto is a guide to help you do this. Creating change is not a particularly difficult process, but it is quite different from what we do day-to-day.

By understanding that there are different types of change, and that each requires a different process, you can match your approach to the situation at hand. And by thinking about the Golden Triangle of Change—Structuring Change, Managing Change, and Leading Change – you can be very effective.

**First and foremost, you need a burning drive to make things better.**

Most importantly, I hope you take to heart my suggestion that you work on things that you really like and really care about. **If you do what's in your heart, you'll find that the process of changing things and making them better—being effective—will be very natural, deeply satisfying, and surprisingly enjoyable.** 📖

# info



## BUY THE BOOK

Get more details or buy a copy of Jonathan Byrnes's [\*Islands of Profit in a Sea of Red Ink\*](#).

## ABOUT THE AUTHOR

Jonathan Byrnes is Senior Lecturer at MIT, and author of *Islands of Profit in a Sea of Red Ink* (Portfolio, 2010). He is an acknowledged authority on profit generation and profitability management. He holds a doctorate from Harvard University.

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