



LEADERSHIP AT THE INFLECTION POINT

BY MITCH SAUNDERS

For a leader, few experiences compare with the gut-wrenching discovery that you are unprepared to face a changing reality. It's even worse if you recognize that your organization is also ill-equipped to trek into uncharted territory. For example, the CEO of a semiconductor equipment company recently realized that his organization's future depended on creating new e-diagnostic software. What's more, he found that he and the leaders of his key business units were utterly unschooled in managing the processes that give rise to successful software development, let alone creating robust business models for this kind of product line.

Some leaders experience the wake-up call of radical change as an unpleasant shock. But even if a leader welcomes the new challenges with enthusiasm, he or she may not know what to do to address them. Being caught at this kind of transition point without knowing how to act quickly and effectively can be disastrous. During a two-year period, I witnessed four of California's top leaders in higher education forced from their jobs. Each was challenged by rapid changes in their sector; each failed to adequately assess and address growing tensions in union-management relations, adapt their leadership styles to a changing reality, and set bold new courses for their institutions. Mired in internal struggles, these prominent individuals were unable to counter the state's shift in spending priorities from education to prison construction.

Facing an unprecedented demand or opportunity for which there are no easy answers often signals that the tide is turning—one phase is ending, while something new is struggling to emerge. We might call this key moment in time an "inflection point."

An inflection point represents a dramatic change in course, rather than a temporary fluctuation.

We can think of an inflection point as a fissure between past and future that creates an opening, a unique window of opportunity for leaders and companies. For example, in the 1980s, three competitors, Advanced Micro Devices, Intel, and National Semiconductor, experienced a precipitous slump. However, only Intel's leaders recognized that period as a key

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inflection point. In response, the company dropped its DRAM product line and refocused the full force of its attention and resources to seize the market for the next generation of semiconductors. The company's leadership recognized a particular combination of endings and emergent opportunities, and used this transition point to catapult itself into a new market space. The rest is history.

Recent research conducted by Generon Consulting and the Society for Organizational Learning found that *the* key capability for leaders in the new economy is an ability to "sense and actualize emerging futures." To do so, they must be able to recognize critical shifts such as when a product line reaches the latter stages of its lifespan, even before sales have dropped. They

must spot technological innovations and their likely implications for social and economic trends as well as changes in key industries and markets. Leaders must use these insights to guide their companies toward radically transformed goods and services and organizational designs. And to accomplish these ambitious goals, they must cultivate productive new ways to work with and lead others. Yet traditional leadership development has not addressed the need to build competence in these skills.

Intentional Metamorphosis

Fortunately, leaders can learn to evolve as individuals and to influence their organizations' ability to adapt by becoming fluent in the principles and practices of *intentional metamorphosis*. The dictionary defines metamorphosis as "a complete or marked change of physical form, structure, or substance; a transformation in the form of an organism as it develops into an adult, for example the change from a tadpole to frog or from caterpillar to butterfly." A similar kind of transformation can occur in people and organizations. We can purposefully influence *and* accelerate this process in order to realize an inspiring vision or to meet the challenges of a changing environment.

To stay viable, living systems—including individuals and organizations—adopt new behaviors through a similar change process (see "Change in Living Systems"). First, the organism faces an *Adaptive Dilemma*—a demand or opportunity that exceeds its range of responses. This phase represents an ending to familiar ways of being. In the *Initiation* phase, new experiences awaken fresh possibilities, and the organism temporarily suspends familiar reflexes and habits.

Incubation marks a time when the organism experiments with new approaches. By continually performing the new behavior in the fourth stage, *Integration*, the organism strengthens the neural connections associated with the change. Finally, success over time leads the organism to add the new behavior to its repertoire, deepening the pool of resources it can call on in various situations—this last phase is *Maturation*. Eventually, even successful behaviors can become overly rigid, setting the stage for the next *Adaptive Dilemma*.

Leadership at the inflection point requires recognizing what is ending and then sensing and shaping what is emerging in advance of, or in response to, an adaptive challenge. Individuals can initiate the change process by consciously assessing their own way of living and of leading others. For instance, by evaluating his leadership style, the CEO of the semiconductor company found that he was bending over backwards to get his colleagues to buy in to the new software product even though no one, himself included, knew what they were being asked to sign up for. By working with a coach, he learned the difference between trying to force all executives to undertake an ill-defined mission and inviting the right contributors to join a generative process of discovery.

At the organizational level, metamorphosis means simultaneously altering product lines, organizational structure, and deep-seated corporate culture in anticipation of changing market conditions. Otherwise, leaders find themselves trying to fit the “new wine” of cutting-edge goods into the “old skins” of yesterday’s economic and organizational models. For example, the development and sale of software, which depends on technology that shifts every month, is not suited for the multiyear protocols associated with a high-end, capital equipment business. Yet many companies have made the mistake of trying to tack on a software division without adopting the processes and structures needed to support the constant shifts required in the software business.

Thus, to lead effectively through the metamorphosis of what is known in organizational life into something unfamiliar, leaders must simultaneously alter their own leadership styles and direct a radical refocus of the organization. Fortunately, a leader’s personal experience of the change process can provide the validation, confidence, and perspective he or she needs to guide the enterprise along its evolutionary path.

Personal Resiliency

But where do we start? The first step for leaders is to develop their *personal resiliency*—the capacity to adjust easily to change. Resiliency is especially needed during periods of transition, which require a broader range of skills and capabilities than needed during times of stability. But developing a new repertoire is more complicated than simply boosting performance within a known range of mastery, because we can’t always anticipate what abilities will be useful in the future.

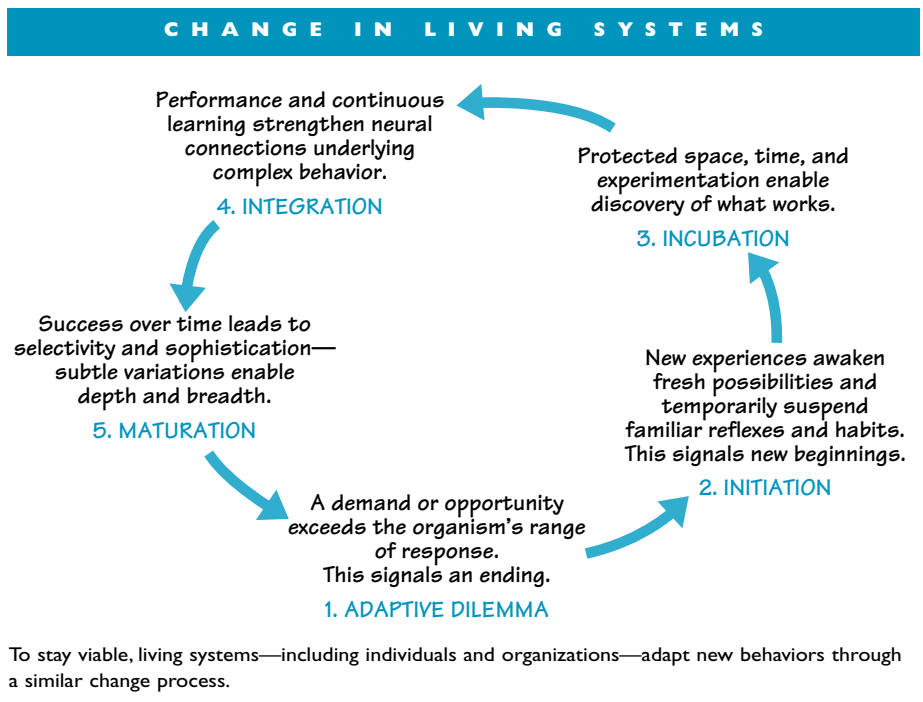
Fortunately, we can develop the capacity to evolve who we are throughout our entire lifespan. Regardless of whether this transformation is inspired by internal creative impulses or provoked by external circumstances, we can learn to welcome

what happens when we’re pushed beyond our familiar comfort zone. How? By becoming intentional about the process: by engaging in self-inquiry, evolving our reflexive responses, and broadening our repertoire of behaviors.

Engaging in Self-Inquiry. At key crossroads in our lives, we often question ways of being that characterized our earlier years, including our relationship patterns, responses to conflict, and work-life balance. This impulse becomes amplified if we confront a serious illness or experience loss through divorce or death. Some people find that success factors that worked for them in the past (such as 60-hour work weeks) are no longer sustainable or that demands from the external environment exceed their inner repertoire of responses. Whatever the catalyst for self-inquiry, by necessity we begin to develop new ways to respond to life’s challenges and opportunities.

During such transitions, what we need most is to clarify vague or unexpressed desires and translate them into a clear aspiration, vision, or goal. For instance, we might wish to deepen our relationships; develop our own voice; be more flexible in the face of tension; or be less driven by

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immediate results. Some people want to cultivate aspects of themselves that they have kept in the background for years. Others may sense a larger calling that builds on their life experience thus far. For example, a trustee of a grant-making foundation recently declared that she wished to move from being a “producer” who raises money and instigates projects to becoming more of a “presence” who helps others be productive.

Understanding Our “Wiring.” To boost our capacity for resilience, we must first appreciate how we are “wired.” Our personal characteristics are innate/inherited, learned/conditioned, or a combination of the two. Frameworks such as Human Dynamics (developed by Sandra Seagal and David Horne) or Emotional Anatomy (developed by Stanley Keleman) provide maps and pathways for individuals to identify their constitutional makeup, appreciate their strengths, and work to develop new options consistent with their fundamental ways of being. Through deliberate inquiry and practice to discover, incubate, and develop new response patterns, leaders can learn how to alter their own physical-emotional “instruments.”

For instance, at a recent gathering of international leaders convened to address the ongoing conflict between China and Tibet, one participant almost precipitated a group breakdown

by insisting that a press conference be called to force the Vatican to take a strong stand against Chinese oppression of the Tibetan people. Triggered by the intense dynamics of the gathering, his powerful feelings took the form of an urgent call to action. But this “script” failed to produce the desired response from others.

Fortunately, there were people at the gathering who were skilled in assisting individuals as they confront this kind of adaptive dilemma. During a 10-minute break, the participant who proposed the press conference was able to see both the immediate and potential long-term negative consequences of his insistent demand. What’s more, he learned to do something that he had been struggling with for years: to ask for help, especially when the dynamic complexity of the situation exceeded his own ability to find a satisfactory solution. This individual discovered in “real time” how to evolve a more constructive way to work with others. His personal shift in turn contributed to a significant breakthrough for the group as a whole for addressing this complex international conflict.

Broadening Our Repertoire. An axiom of systems thinking is that an organization’s behavior is actually a product of its structure. Because humans are living systems, we can apply this principle to ourselves, too. By intentionally altering our underlying,

so-called involuntary processes comprise the body’s structure. Changes at this level of physiology send signals to our brain indicating whether we are in a state of reserve, fear, receptivity, or attentiveness. In a matter of nanoseconds, the cortex uses this information to organize a repertoire of responses to employ and a story to support those responses.

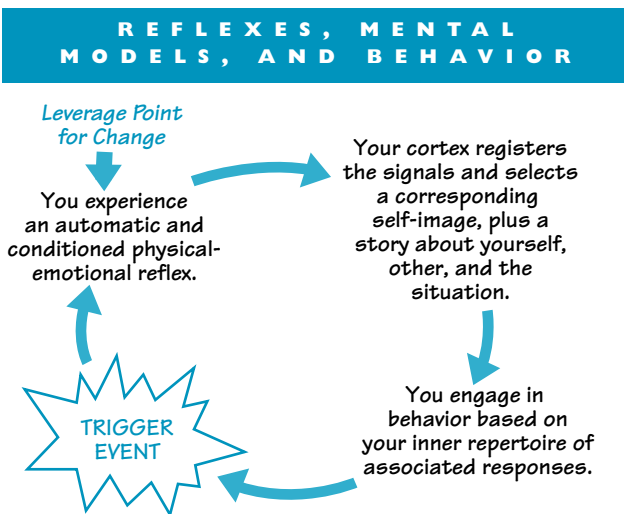
By focusing on subtle changes such as gestures and breathing patterns, we can alter these reflexive responses and thereby influence our state of awareness, guiding ideas, and decisions and actions. For instance, the simple practice of counting to 10 before acting in anger interrupts the initial impulse and diminishes, but does not eliminate, the anger.

The goal is to evolve a more resilient or robust embodiment of our reflexes, *not* to ignore the inherent wisdom in our bodies’ response or to eliminate particular physical-emotional reactions. This high-leverage change work is similar to learning a martial art: Through repetition, we alter our “wiring” and generate the new neural pathways required to effect a change in behavior. Through continued practice, these neural connections produce new behaviors in a diverse range of situations.

As you develop new patterns of responses, you realize you have choices. For instance, if you tend to panic in the presence or anticipation of conflict, you can experiment with a broader range of responses, from collapse or withdrawal to viewing the conflict as a healthy way to surface breakthroughs. In *Myth and the Body* (Center Press, 1999), Stanley Keleman and the late Joseph Campbell describe how you can teach your body new responses and rewrite the stories you live by. You can do so by intensifying and de-intensifying different physical reactions, then quickly sorting through the possibilities or even generating alternative beliefs and responses to meet the challenge at hand. Once you have experienced and practiced applying different response patterns, you have increased your range of options and can make more informed choices more quickly than before.

reflexive response to a triggering event, we can replace formerly ingrained behaviors with new ones (see “Reflexes, Mental Models, and Behavior”). How does this happen? We first need to understand a little about key connections between human physiology and our behavior.

Our bodies—and our minds—react differently to different situations. Distinctive combinations of breath patterns, muscle tone, blood flow, and other



By intentionally altering our underlying, reflexive response to a triggering event, we can replace ingrained behaviors with new ones.

This process is not about *fixing* anything; rather, it's analogous to a caterpillar moving ever-closer to becoming a butterfly. Leaders who engage in self-inquiry and who can intentionally evolve their own leadership style bring a depth and maturity that is desperately needed when facing the complexity of systems change.

Systems Change

Once we have experienced change in our own bodies, we have a better idea of how to lead the process of metamorphosis at the systems level. Just as the individual must recognize when some demand or opportunity exceeds his or her adaptive capacity, so must the leader recognize the key moments in organizational life that portend that the future won't play out as it has up to this point.

Engaging in Strategic Introspection. First, we must learn to recognize when our organization is at an inflection point—which can be surprisingly difficult to do. In order to accurately sense what is happening in the seeming chaos of our work lives, we must take the time to pause, reflect, and seek clarity. In *The Tao of Leadership* (Bantam, 1985), John Heider quotes Lao Tzu as saying, “Leaders who lose touch with what is happening cannot act spontaneously, so they try what they think is right. If that fails, they often try coercion. But the wise leader who loses a sense of immediacy becomes quiet and lets all effort go until a sense of clarity and consciousness returns.” By engaging in what Michael Schrage, author of *Serious Play* (Harvard Press, 2000), has called “strategic introspection,” we can notice and come to terms with the fact that something is ending and focus on the new opportunities that are emerging.

Often, it's the challenge of perceiving what is ending that keeps leaders stuck, especially because we often find it difficult to let go of the status quo. In such cases, simulations, enactments, and prototypes are especially powerful, in that they can generate a pull toward the future and create surprising results. For example, during deregulation of the U.S. air-

lines in the 1980s, NASA researchers examined the risks associated with increasing the lengths and frequency of transoceanic flights. As a result of simulated flight scenarios, they discovered that ensuring that pilot crews fly together may improve flight safety more than managing pilot hours—a counterintuitive outcome.

Modeling approaches can be less sophisticated than flight simulators. For instance, I recently worked with a management team that found itself struggling. The charismatic founder had announced that she was stepping down from her position as board chair. The change from a system driven by one person to one managed by a team disrupted relationships among staff members throughout the organization.

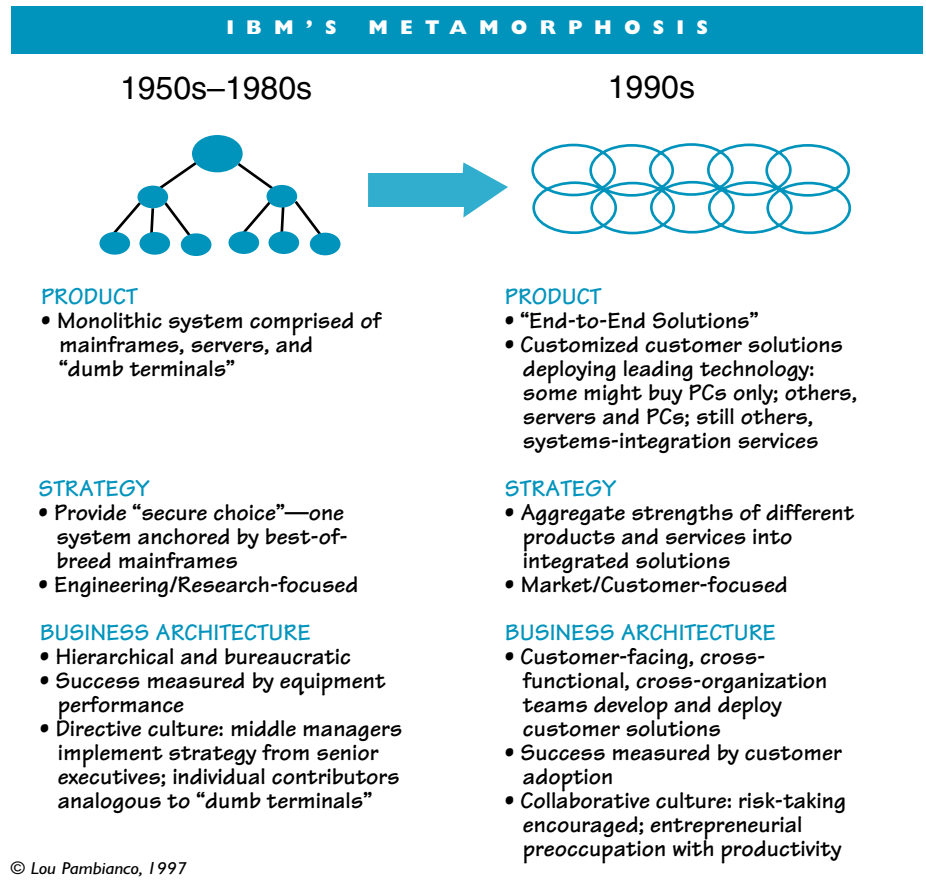
The management team used role plays and built physical models of their organization to examine the issues involved in making this transition. They realized that their struggles resulted from trying to conform to an outmoded organizational structure. This understanding helped them to

reframe the problem and heal the rifts that had been dividing them. The team then focused on creating the kind of management system that would position them for future success.

Co-evolving the Future. Leaders who stop and listen often find many disconnected voices heralding a fundamental change in the organization's life. For example, customers may be demanding new product functionality. The leader of the service organization may report the advent of a new model for warranties. The head of human resources may talk of increasing the department's role in strategic initiatives. Underneath the myriad of diverse perspectives, the organization is beginning to articulate and describe a shift in the nature of its core product and organizational architecture.

Once they perceive the underlying sources of change, leaders need to know how to recognize and nurture emergent opportunities. They must walk the tightrope of optimizing the current system while at the same time cultivating new guiding ideas, capabil-

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ities, and structures for the organization of the future.

Management consultant Lou Pambianco has illustrated how IBM accomplished a radical shift in the 1990s under the leadership of Lou Gerstner. Focusing on customer choice and service, the computer giant was able to reposition itself as a market leader and fuel a successful revival. Key to this change was the recognition that IBM's product architecture was evolving—from a hierarchical array of computers, all emulating or tied to Big Blue's mainframes, to an amalgamation of productivity tools mass-customized to meet customer's need for integrated solutions. IBM's leaders realized that changes in the nature of their product required a radical departure in strategy, organizational architecture, and corporate culture (see "IBM's Metamorphosis" on p. 5).

The insight that product (or service), strategy, and organizational architectures need to evolve together, and that leaders can shape this process, suggests a high-leverage arena for leadership attention and contribution. Successful executive teams meet regularly to learn from one another and to listen for what's ending and emerging in the organization as a whole. They pose questions such as, What is the customer telling us about the changing nature of our product? What does the shift in our approach to service suggest about our business model? What does HR's new focus tell us about the changing nature of our workforce and our organization design? By doing so, they come to see that the most powerful opportunities lie not in a search for problems to fix, but rather in sensing, cooperating with, and actualizing what is already emerging.

Integrating Self and System

When leaders integrate their own metamorphosis with that of their organizations, the benefits for each are amplified. I know of no better way for a leader to do so than to focus this co-evolutionary work on a real project. For example, the executive who

wanted to develop new e-diagnostic software served as a mentor to the product development team. This project resulted in the successful introduction of three e-diagnostic tools that set new industry standards and generated unprecedented customer demand. The team accomplished their goal several quarters ahead of the competition. Just as important, by intentionally shifting from an emphasis on building consensus to exercising his leadership through focused mentoring, the sponsoring executive developed a more efficient and mature way to lead. The individual, product, and organizational architecture evolved together, creating exciting new possibilities.

All too often, good people end up outpaced by technology, industry trends, or new organizational priorities. When organizations support their leaders in engaging in self-inquiry and intentional metamorphosis—while at the same time making fundamental changes to their businesses—they create a vehicle for not only retaining those individuals but also creating the competency needed for leading into the future. Creating an ongoing infrastructure for learning and experimentation is essential for realizing the potential of leadership at the inflection point.

What's at Stake

Experiences at the edge of what we know are uncomfortable. Each of us arrives at these points with deep affinity for our own personal style, tried-and-true approaches to leadership, track records with certain products and services, and degrees of

success with particular organizational designs. To enable what is emerging rather than push our own agendas involves intensifying our appreciation for that tradition while, at the same time, intentionally departing from the moorings of the past to sense and give shape to what lies beyond. A leader's task then becomes recognizing and responding adeptly at key moments in an organization's history, quickly developing a wide range of individual and organizational responses to novel situations, and challenging long-held reflexes and mental models in order to help sense and influence the future.

The stakes are high, but it's heartening to know that metamorphosis is a natural process already occurring and available in every leader and organization. When we link the process of individual and organizational change through the art and practice of intentional metamorphosis, we generate uncommon power, exponential synergy, and leverage strong enough to alter the trajectory of history. ■

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To view PowerPoint slides on "intentional metamorphosis," go to http://www.resilientsystems.com/library/pdf/personal_resilience.pdf.

NEXT STEPS

- If you sense that you are nearing an inflection point, consider what might be ending or receding in terms of importance in your own approach to leadership. Where might you begin the process of intentional metamorphosis in order to respond to the challenges of the future?
- Come up with a list of questions that you might ask key internal and external stakeholders to uncover what is ending and what is emerging for your business. Look for patterns in the responses that might serve as clues about the change process.
- With a group of colleagues, explore what conditions would be necessary for your organization to move to a new level of product/service and organizational design. How could you ensure that these two components evolve together?