



## **Clore Leadership Programme Chair – CEO network**

**Talk by Patrick McKenna on 16<sup>th</sup> September 2010**

### **Change Management**

When Sue Hoyle first asked me to come and lead a discussion on the subject of “Change Management”, my first reaction was “Why me?”

The subject matter sounded more appropriate to a management consultant than a practical and pragmatic businessman!

I was, of course, only too familiar with the term (mainly by hanging out with too many management consultants) and I knew it meant different things to different people. I was however curious as to where the definition started and finished, so I headed for the internet and there I discovered endless articles about and definitions of Change Management. They were extremely varied and interesting and, in fairness, shared a lot in common, so I set about finding the most succinct definition which was;

*“The coordination of a structured period of transition from situation A to situation B, in order to achieve a lasting change within an organisation.”*

This definition seemed to encapsulate pretty much all types of change programme but was attractive to me because of the expression “lasting change”. This is the type of change we are really talking about when we discuss change management.

Another one I liked was:

*“Minimising resistance to organisational change through involvement of key players and stakeholders.”*

This one had a particular resonance with me because it addressed so much of what business and management is about – people! Deciding strategy, objectives and change is only one part of the job of management; perhaps the trickiest part is implementation and more particularly, managing people so they act in unison towards a common objective.

Everyone here today has had considerable exposure to change and, in different ways, has been challenged to manage that change. We live in a fast-moving world and are therefore accustomed to all types of changes but the day to day changes required by 21<sup>st</sup> century living don't require the difficult decision making that Chairs and CEOs are expected to cope with, and it is these difficult issues that we are here to discuss. Fundamental change requires a wide range of management skills if an organisation is going to be fit for purpose. Such challenges will take many different forms but what they have in common is a need for changes in human behaviour and function.

Some changes are welcome and others are not; occasionally they come from within but mostly change is occasioned by external circumstances and therefore forced on an organisation.

Sometimes existing management teams can cope with change but often they can't and external help is required.

Detailed knowledge of, and continuity of personnel in an organisation is helpful but it can also be a hindrance. Likewise, the experience and skill set of the existing management team. Does the existing team have what is necessary to deliver the new objectives?

In my experience, fundamental change is not easily accepted and an external catalyst and is required at the highest level to bring it about. We are creatures of habit – we like the status quo, especially if we have a vested interest in protecting it! It's all too easy to pretend to embrace change when, in reality, we are simply moving the same pieces around the board and re-assembling them.

The type of change you are facing inevitably involve a significant adjustment to the size, shape, objectives, strategy and substance of your organisations. You have, no doubt, contemplated the "blank piece of paper" test or the "so what" test. We need to ask ourselves what would our organisations look and feel like if we could start afresh and what would be the consequences if we stopped doing some of the things we currently do.

I said earlier that we are all used to change but how many of us can honestly say that we embrace it?

There is no doubt that, in this digital age, we are having to deal with change, both in our everyday lives and in business, but do we really like it and do we think it's a good thing?

I must confess to really liking change but I know this can be uncomfortable for many people. The thing to remember about change is that by definition it is a transitional event and it will end, but only before further change arises!

The leadership challenge is to communicate the need for changes, so that it is embraced at every level, and to ensure that change will bring about long term benefits for the organisation.

In many respects we might be better off not dwelling on this question for too long because it doesn't really matter. The fact is that change happens; it is an integral part of life and it often occurs despite our best efforts to stop it! So let's embrace change and make the most of it. Fortune truly does favour the brave!

The industry that I've worked in most of my life has been dramatically affected by a combination of technological, regulatory and consumer behavioural changes and yet large parts of the industry resisted change. Somehow, the large traditional media companies thought they could keep change at bay and, in the process, retain their dominant position as gatekeepers for both content suppliers and consumers. How wrong they were and what disastrous commercial consequences ensued for them!

Each sector of the media has been struggling with the changes forced on them but the earliest sector affected by digital technology was the music industry. This is a great example of what not to do when forced with the issue of change! There they buried their heads in the sand and, succeeded in alienating their suppliers and customers by refusing to embrace the new digital distribution methods. Most importantly, they refused to listen to the changing needs of their consumers. And, worst of all, from a commercial perspective, they allowed a new competitor (in the form of Apple's Steve Jobs) to completely undermine their distribution monopoly. Failure to act never maintains the status quo!

The lessons to be learned from the failings of the music industry are there for everyone to see but is anyone really listening?

Recognising the need for change before it is forced on you is critical because if you wait, it will probably be too late! Embracing change as part of an organisation's culture is crucial, however unpalatable it might appear; trying to hold back the tide of change is simply impossible!

A lot of the changes we face now are very unpalatable but if the organisations we represent are to survive and then prosper, we must be prepared to take difficult and challenging decisions.

I haven't really talked much about the management of change because that's really a matter for each particular business or organisation. Instead, I've sought to make us think a little bit about our attitude to change and the consequences of resisting it.

I would be happy to share my experiences in our discussion session and talk about some of the challenges I've faced in the commercial sector (RUG, Ingenious, 19 etc...), in government bodies (BTA, NESTA and The British Council) and in the Arts – Young Vic.

Speaking of the Arts world, it has faced many challenges over the years but none so profound as the one we are about to experience. I talked about changes coming from the outside and this is a classic case. However good we think our strategies are, however robust our finances might be, we are now all being called upon to review the way we operate and the scale of our ambitions. And all of this is necessary because of an external influence called a reduction in public spending, brought about by a major recession.

It is made more challenging because, just as Government spending reduces, so the economic environment for raising alternative financing becomes even more difficult!

And let's not fool ourselves into thinking this is just a short storm we can ride out. The seas are likely to be choppy for a long time to come and we will need to dramatically alter course if we are to survive. If ever there was a time to embrace change, this is it. We need to learn best practices from those organisations that have managed to demonstrate progressive strategies, increase their effectiveness, develop new business models and reduce their reliance upon state funding. We need to be more commercial in our approach, establish new strategic partnerships and we need to develop new revenue models and financing sources.

It is rather Darwinian out there in the publicly funded areas and only those organisations that embrace these changes and promote innovation will survive.

And even then we will undoubtedly have to take some uncomfortable decisions, often involving a retrenchment of the scale of ambition as we transition to the new model.