

INSEAD

The Business School  
for the World®

# Faculty & Research Working Paper

Organizational Culture, Leadership,  
Change and Stress

---

Manfred KETS DE VRIES  
Laura GUILLEN RAMO  
Konstantin KOROTOV  
2009/10/EFE/IGLC

# **Organizational Culture, Leadership, Change, and Stress<sup>1</sup>**

**by**

**Manfred Kets de Vries\***

**Laura Guillén Ramo\*\***

**and**

**Konstantin Korotov\*\*\***

\* The Raoul de Vitry d'Avaucourt Chaired Professor of Leadership Development, Clinical Professor of Leadership Development, Director, INSEAD Global Leadership Centre (IGLC) at INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex Ph: (0)160724155 Email: [manfred.kets.de.vries@insead.edu](mailto:manfred.kets.de.vries@insead.edu)

\*\* Post-Doctoral Research Fellow, INSEAD Global Leadership Centre, at INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex Ph: (0)160729179 Email: [laura.guillen@insead.edu](mailto:laura.guillen@insead.edu)

\*\*\* Assistant Professor, ESMT, European School of Management and Technology, Berlin Ph: +49 (0) 30 212 31-1299 Email: [konstantin.korotov@esmt.org](mailto:konstantin.korotov@esmt.org)

A working paper in the INSEAD Working Paper Series is intended as a means whereby a faculty researcher's thoughts and findings may be communicated to interested readers. The paper should be considered preliminary in nature and may require revision.

Printed at INSEAD, Fontainebleau, France. Kindly do not reproduce or circulate without permission.

---

<sup>1</sup> To be published in Cooper, C., Quirk, J. and Schabracq, M. (2009) *Work and Health Psychology Handbook*—3<sup>rd</sup> edition, London: Wiley/ Blackwell

Like all weak men he laid an exaggerated stress on not changing his mind.

W. Somerset Maugham, *Of Human Bondage*

“Any company can become a great place to work.” This is an appealing statement, but how are “great places to work” characterized? At the heart of the definition of a great place to work are trust and mutual respect between senior executives and their employees, and value-driven leadership—performance with purpose. Great places to work show a strong commitment from CEO and senior management (who walk the talk), a genuine belief that people are indispensable for the business, active communication among the entire organization, the perception of a unique culture and identity, a well-articulated vision, and values that are lived and experienced at all levels of the organization (Schrage, 1999; Kets de Vries, 2001, 2006).

But even if many executives know what characterizes a great place to work, they fail in their attempts at creating one. Why are these organizational characteristics—in theory quite clear—so difficult to attain? How do organizations become and remain great places to work? What can leadership do to motivate people to create a better organization? And how do high performance organizations keep stress among their employees at acceptable levels? In this chapter, our aim is to increase our understanding of organizational change processes and the relationships between change, organizational culture, leadership, and stress.

Organizations have to adapt their behavior on a continuous basis in order to sustain their competitive advantage. The need for change usually induces a high degree of

stress (Kets de Vries and Balazs, 1998; Lichtenstein, 2000). The good news is that it is precisely this that constitutes a major catalyst for organizational change. As the saying goes, “No gain without pain.” Stress at individual and organizational levels can help get change on its way. Stress is an acknowledgment of the serious consequences if the organization carries on ignoring changes in the environment. Negative emotions are potential triggers of change.

Changing mindsets is never easy. Usually, a strong jolt is needed before people realize that the traditional way of doing things is no longer adequate. Awareness of the need for change is achieved most effectively when the employees in an organization come under internal and external pressure. Organizational stress from both directions, and the associated discomfort, may trigger organizational change processes.

Kets de Vries refers to a four-stage process to illustrate how leaders accept the need for change (Kets de Vries and Miller, 1984; Kets de Vries, 2001, 2006). First, pain in the organizational system makes people aware of the serious consequences of perpetuating existing patterns. Second, key power holders react to this awareness with shock and disbelief. Third, these reactions can activate defensive routines that block further movement—fear of the unknown may contribute to a reluctance to introduce the kind of change that is needed. Some executives will be concerned that any form of change will threaten their professional identity and financial security (Kets de Vries, Carlock, and Florent-Treacy, 2007). Consequently, the organization may continue to act as if nothing is happening. Finally, there is the recognition that the status quo cannot be maintained and that change has to be faced. There comes a point when clinging on to the status quo only creates greater problems and a higher level of stress.

At that point, diving into the unknown is the lesser of two evils and the organization is ready to enter the change process. Figuring out how to deal with this may seem an insurmountable obstacle for the key power holders in organization, especially if cultural norms have broken down in a changing environment.

What are the factors that cause stress in organizations? How can organizational change be conceptualized? And what can be done to transform the mindset of people within the organization?

In the first part of this chapter, we discuss the internal and external pressures that may trigger organizational change—or conversely hinder it and add to levels of personal and organizational stress. The second section explores how we can conceptualize change management. In the third section, we comment on the process of individual and organizational transformation and describe how to create the psychological space that can help it to take place (Korotov, 2005; Kets de Vries & Korotov, 2007).

## **Leadership and stress**

Some of the external factors that can cause pain in organizations are threats from competitors, declining profits, decreasing market share, scarcity of resources, deregulation, technological demands, and problems with suppliers and groups of customers. Examples of internal pressures are ineffective leadership, morale problems, a high turnover of capable people, absenteeism, labor problems, increased political behavior in the company, and turf fights (Kets de Vries, 2001).

Because of the importance of leadership to organizational functioning, we are going to focus on the relationship between leadership and stress and look at it from two different perspectives. First, we will talk about stress associated with playing a leadership role in an organization and then examine how the level of stress experienced by employees in an organization may be related to the way leadership executes its role. Stress at the individual level may transform into stress at the organizational level; dysfunctional leadership may convert into free-floating paranoid and depressive anxiety within the organization as a whole (Jaques, 1974). We start by looking at the psychological costs of ineffective leadership at the individual level and go on to explore how this translates into organizational stress.

Kets de Vries, Korotov, and Florent-Treacy (2007) argue that recent changes in society and the world of work have contributed to a significant rise in the psychological pressures of leadership. For example, Coyne and Coyne (2007) suggest that the mere arrival of a new organizational leader represents a very high level of stress for the new appointee. There are a number of factors that contribute to this.

1. *Loneliness at the top.* With an executive's progression along the career and responsibility ladder, there is an inevitable change in the composition of his or her network. Old relationships become difficult to maintain, as the pressure of the position demands the establishment of many new connections without the luxury of time. The development of trust between people doesn't happen overnight; it takes time.

2. *Feeling envied.* Inevitably, people at the top become objects of envy in organizations and societies. Recent discussions about the need to curb the earnings of the people at the top of organizations in Europe initiated by leaders and government members in a number of countries are welcomed by many, despite the fact that the pay gaps between the highest and lowest paid in Western European companies are among the smallest in the world (Thornhill, Milne, and Steen, 2008). Some leaders may find being an object of envy highly disturbing and stress inducing.

3. *“Now what?”* The race to the top requires a lot of effort and energy. However, when an executive reaches a position of significance, identifying the next goal can become a major headache. How much further do they want to go? How much more responsibility, fame, challenge, money, etc., do they want? Wondering whether enough is enough or whether they should go for more can be a major source of stress.

To the person in the executive corner office, the “now what?” crisis is particularly acute, given trends in executive turnover at the top. A recent Booz Allen Hamilton study by Lucier, Wheeler & Habbel (2007) suggests that in the period from 1995 to 2006 there was a 59% growth in annual CEO turnover. Within the same period there was a dramatic 318% increase in performance-related involuntary turnover. In 2006 almost one in every three departing CEOs left involuntarily, a surge from only one to eight in 1995. The tension of high expectations and an unstable future is contributing to the stress levels of senior executives.

4. *Being watched.* Various social constituencies pay significant attention to the lives of people who run organizations. From paparazzi to government officials, from investment analysts to business school professors, and from journalists to stand-up comedians, lots of people make a living out of observing leaders of organizations. They are all very good at pointing out the mistakes these executives make and their and their organizations' misfortunes. With every action under such severe scrutiny, leaders often find themselves having to check every word with their lawyers and public relations professionals before they open their mouth. Authentic behavior and actions become a luxury. Corporate scandals, and the dubious behavior of some of the world's business elite, will only lead to increased attention being paid to people at the top in both the public and private domain.

5. *Fear of losing power.* High-level positions bring a lot of power and unprecedented opportunities. However, power soon becomes very addictive (Kets de Vries, 2006) and the fear of losing something that might have been difficult to obtain can be deeply stressful. In some cases, people threatened with potential loss of power engage in malevolent acts to hang on to it.

6. *Guilt.* At certain times in their career, many executives become aware that the important people around them—including close family members and friends—have made great sacrifices to get them where they are. Some of these sacrifices are often irreversible. The executive may feel guilty about the cost of his or her success. It may have alienated the family.

7. *An ever-steeper learning curve.* In a knowledge-driven society, many learned competencies become obsolete at the speed of light. Executives often find it difficult to accept the need to learn new things, and, more importantly, to unlearn some of the things that brought them success in the first place. The challenge of unlearning old things and learning new ones is exacerbated by the fact that executives have less and less discretionary time as they progress along the leadership ladder. There are few structured learning opportunities for people at the top that simultaneously challenge the individual and create a safe environment for growth and development (Korotov, 2005).

All members of an organization are intimately affected by the actions or inactions of those at the top. Many senior executives are genuinely unaware of how their behavior may impede healthy functioning in the organization. Not only do they fail to realize how stress-inducing their behavior can be, they often have no idea how to manage their own stress level. This lack of self-awareness can seriously affect performance throughout the organization (Kets de Vries, Vriegnaud, Florent-Treacy & Korotov, 2007).

Kets de Vries (Kets de Vries & Miller, 1984; Kets de Vries, 2006) has identified a number of constellations of neurotic executive behaviors contributing to elevated stress among followers.

1. *The dramatic leader* constantly seeks attention and craves excitement, activity, and stimulation. Such a person is often touched by a sense of entitlement and tends toward extremes.

2. *The suspicious leader* is extremely vigilant, constantly on the watch for possible attacks and personal threats, and always prepared to counter a personal attack on an attack on the organization. Hypersensitive and distrustful, such leaders attempt to obtain the full control over what is going on in the organization and become overinvolved in analysis and decision-making processes.

3. *The detached leader* is withdrawn and uninvolved in the organization's present and future. He or she reduces interaction with organizational members and the outside world to a minimum. Decisions are often vacillating and inconsistent.

4. *The depressive leader* often lacks self-confidence and is plagued with serious self-esteem issues. Self-involved, a depressive leader may be ignorant of the needs of followers, clients, and suppliers. Lacking energy, force, and drive, he or she may tolerate mediocrity and scare away dynamic and hopeful followers.

5. *The compulsive leader* dominates the organization from top to bottom, insisting that everyone conforms to strict rules developed at the top. Dogmatic or obstinate, a compulsive leader is obsessed with perfectionism, detail, routine, and rituals.

Because organizational culture is highly susceptible to the influence of leadership behavior, neurotic leadership patterns lead to toxic organizational cultures—and vice versa. Neurotic leadership patterns trigger social defenses in followers, diverting energy away from attaining organizational goals.

Stress in the organization makes employees question the fundamental purpose of the organization. Existential anxiety of this kind accelerates all sorts of dysfunctional organizational processes, such as unrealistic ideals, toxic corporate cultures, neurotic organizations, or problems with motivation. Within such a work environment, people experience negative emotions, become alienated, and drift with no sense of direction. A dysfunctional culture like this can impede any remedial action on the part of senior executives. Even if they sincerely want to improve organizational health, they don't know how to go about it. This kind of vicious circle can only be broken by creating a culture of purposeful performance—a concerted effort toward organizational renewal.

But even if most organizations accept that they must either change or die, a remarkable number of change initiatives fail (Beer and Nohria, 2000). The first critical step is to develop the leader's awareness of the kind of leadership behavior that has a negative impact on the organization's membership. But many leaders are sadly reluctant to seek and receive honest feedback about the impact their behavior has on their subordinates. What measures can be taken, in spite of people's resistance to change, to manage organizational renewal? How can leaders take advantage of their adaptive capacity to turn their organizations into great places to work?

## **Organizational change management**

Various authors (e.g. Beer & Nohria 2000; Palmer and Dunford, 2002) have suggested two approaches to organizational change. The “hard” approach is where

shareholder value is the only legitimate measure of corporate success; the “soft” approach is to develop a corporate culture that enhances human capability through individual and organizational learning. According to Beer, change can be managed through engagement in controlling activities and shaping capabilities.

Drawing on this polarity, organizational change processes may be induced by transformations in the “real” (external) world, such as modifying existing technology, or changing organizational structure and policies, as well as in the inner world of the individuals (Amado and Ambrose, 2001; Kets de Vries, 2001, 2006). There is an identifiable continuum in this process, ranging from intended to unintended change outcomes (Palmer and Dunford, 2002). Intended change presupposes rational modifications. In this case, change agents assume that by introducing planned (and rational) changes, the entire organization will change in the intended direction. Unfortunately, changing organizational structure, policies or making rational decisions may generate only the illusion of order and control. Usually, the CEO and other influential executives assume that employees will internalize the new rules and regulations they prescribe and the organization will change. However, employees are not necessarily rational human beings but subject to a considerable amount of out-of-awareness behavior.

Organizational defensive patterns cannot be changed merely by making structural changes (Argyris, 1993; Kets de Vries, 2001, 2006). The introduction of structural changes only scratches the surface of any transformation effort, because as we have already intimated, there are changes that cannot be easily and obviously manipulated by the power holders in an organization. These are changes in the employees’ inner

world—the way they perceive reality. Considerable social interaction is needed among organizational participants to bring about mindset change. Because a large amount of behavior takes place at an unconscious level, mindset changes are not easily accomplished. If organizational leaders want to be effective, however, they have to pay heed to these processes.

The organizational change process that we are going to illustrate is based on a model (Kets de Vries, 2001) that recognizes the interplay of a number of variables.

- Change implies intended outcomes, characterized by the introduction of directed actions in the “real” world, such as introducing new technologies (including web-based ones), activities or structures.
- Change requires a new interpretation of events and the construction of shared meanings among participants at all levels of the organization, a process that can be facilitated through group coaching experiences.
- To make organizational change effective, we need to explore the unconscious in daily work events. We need to understand what is really happening in the organization.

All too often, senior executives ignore the inherent tensions between the “hard” and the “soft” issues. Beer and Nohria (2000) and Kets de Vries (2001) maintain that there are ways to resolve these tensions, and that they require goals that embrace the paradox between controlling activities and shaping capabilities. To enable organizational change, leaders must set directions from the top that engage all the people in the organization, and simultaneously address the “hard” issues (structures,

technology and systems) and “soft” issues (corporate culture and values). In the next section we illustrate how such a transformation process can be implemented within an organization.

## **Transformational processes**

The role of senior executives in leading organizational change processes is to provide supportive leadership that fosters a shared mindset and new behaviors. They must also ensure that changes are institutionalized in the daily social practices of the organization. Kets de Vries’s (2001, 2006) model of change provides a roadmap that helps management overcome organizational resistance by using a participative approach to engage the entire organization in the change process. Referring to the model, we will examine the four stages of the organizational change processes—creating a shared mindset, changing behavior, institutionalizing change, and transforming the organization.

### **Creating a shared mindset**

The first leadership task is recognizing the need for change. To get the process of change into motion requires a strong inducement in the form of pain or distress. At this point, leaders may face the unknown with multiple stress-inducing fears: am I doing the right thing? Will my team support my decisions? Am I able to make unpopular decisions? Am I able to lead the change process? How am I going to ‘sell’ my project? Even when the need for change has been acknowledged, people may still need a push that converts their fears into something actionable.

Bennis & Thomas (2002) uses the term “crucibles” to describe the often traumatic negative events (life-threatening episodes, periods of self-doubt) that leaders experience, and which force them to confront change. Crucible experiences unleash deep self-reflection and a process of trial and error that helps them examine their distinctive leadership abilities. Astute senior executives will take advantage of the learning potential of “crucibles” by making appropriate developmental interventions within the organization. But they cannot do it alone. Key power players need to build strong alliances and obtain social support with other power players in the organization.

Social support has been identified as the single most important factor in helping an individual overcome barriers to change (Kets de Vries and Balazs, 1998). To provide social support, organizations may need to create safe environments for “pausing” and managing personal and organizational change. Before someone can change direction, he or she has to stop.

Executive coaching or transformational executive development programs provide safe environments for structured feedback. Such feedback tools, particularly 360-degree instruments that touch on psychodynamic processes, allow a leader to observe and reflect, to identify behavioral patterns that contribute to personal and organizational stress, and to start thinking about change. These transformational programs, which frequently take the form of in-company workshops, may foster behavioral change that helps executives become more effective in organizational and personal settings. A significantly higher level of self-awareness is one of the usual outcomes of such programs (Kets de Vries et al., 2008). Change facilitators in these transformational

programs are some social practices (such as group coaching, networking and 360-degree feedback processes), the elaboration of action plans, the exploration of new selves through a test-and-learn process and the creation of a learning community that supports results over the long-term (Kets de Vries et al., 2008).

Members of the senior executive team should take the lead in participating in these transformational group interventions. They will have the opportunity to deal with otherwise “undiscussable” issues and establish a shared leadership focus. In addition, these interventions may build a richer, deeper understanding of the leaders as individuals and the real reasons for their behavior. The main objective of participating in transformational workshops is to develop a shared mindset characterized by collective ambition, commitment, and motivation. Participation by a group of senior executives may help them recognize the need for action and acquire an external focus, critical at this stage of the transformation process (Kets de Vries and Balazs, 1998). The program can elucidate the organizational change agenda at several different levels:

(1) A discussion of the core values and desired culture of the organization. In addition, a gap analysis will be needed, comparing what is desired and what is really practiced in the organization. Effective organizational cultures are strategically appropriate, guide day-to-day employee behavior in a tangible way, and promote adaptability and change.

(2) The development of a distinctive leadership brand. A leadership brand provides focused leadership through a combination of innovative skills, executives’ team

dynamics, and excellence in execution. It maintains and promotes the distinctive competences of the organization.

(3) Clarification of the developmental leadership work that needs to be done to make executives fit the corporate culture and to enhance and maintain the distinctive, competitive advantages of the organization.

Transformational programs must take place within a holding environment that helps lower defensive reactions, build mutual respect, foster transparency, and establish trust. The interventions facilitate insights that illuminate hidden areas of the organization that need to be taken care of as a precondition for change. At the same time, they help build agreements about what needs to be changed and how the change process will be enacted. These transformational experiences have the following characteristics:

- Change agents create *learning* (Wenger, 1998) or create *transitional* spaces (Winnicott, 1989; Korotov, 2005; Kets de Vries and Korotov, 2007) where executives have the opportunity to reinvent themselves, helping them to pick up the threads of stagnated development.
- Through *reflection*, change agents can bring to the surface and criticize the tacit understandings that have grown up around the repetitive experiences of a specialized practice and can make new sense of uncertain situations (Schon, 1983). A process of learning is promoted by the creation of meaning from past or current events, which serves as a guide for future behavior (Daudelin, 1996).

- The creation of transitional space (Kets de Vries and Korotov, 2007) allows executives the opportunity to *play* (Schrage, 1999). Innovative, creative thinking is not a rational or logical process; it is much more like playing, exploring and trying new possibilities.
- In a transitional space, executives *feel free and safe* to express ideas and feelings. Public commitments consolidate the process of internalization and increase their motivation toward action.

Transformational group experiences of this sort bolster trust, collaboration and commitment among the organizational participants. There are three types of transitional experience involved in the process: (1) relinquishing earlier, dysfunctional, but still valued roles, ideas and practices; (2) creating, finding and discovering new, more adaptive ways of thinking and acting; and, (3) coping with the stress that accompanies the changing conditions derived from both outside and within the organizational system. These transitional experiences can help set directions through focused leadership and a new, more coaching oriented mindset.

Effective leaders recognize that employees need support when they are in the process of reinventing the organization. Creating a coaching culture is the ideal way to align management behavior with business objectives and develop people's emotional intelligence, encouraging continuous learning and recognizing achievements by providing constructive feedback. The major turning point comes when the organization's leadership moves from being autocratic to authoritative. The role of the leader changes to that of being a more autocratic figure to that of a coach—a person who works with employees to help them discover the answers (Daudelin, 1996).

## **Changing behavior**

Employees' participation and involvement are the key success factors for organizational commitment. People at all levels of the organization need to be involved in the change effort (Kets de Vries and Balazs, 1998). The next leadership task is to make sure that people at all levels of the organization have internalized the change.

Leaders recognize that the will to change is not enough; they have to work to promote the appropriate skills that will adjust the repertoire of behaviors of all organizational members. Changing behavior starts with consolidating new ways of doing things to gain competitive advantage.

A sense of direction will have been achieved through the reflection process described earlier. With this focus in place, the time has come to align the important players in the organization behind the leadership's new vision for the future. Leaders need to engage and empower their subordinates by transmitting that vision, the core values and desirable new behavior patterns. Repetition of the change message and implementation of systems, structure and activities will aid the process of internalization. For a change process to be effective, executives have to be convinced both cognitively and emotionally of the advantages that the change effort will bring (Kets de Vries and Korotov, 2007).

Change will be accompanied by many fears. Some executives may be fearful of uncertainty (what do I need to do now?), obsolescence (everything I know is useless),

self-doubt (am I capable of change?), and significance (do I like these changes?). In the same way that the transformational workshop created a safe space for the transition process, the leadership of the organization needs to manage stress levels by making the organization a safe holding environment. The most salient role of leaders at this point is that of coach, enhancing the individual change process through trust and support (Kets de Vries, Korotov and Florent-Treacy, 2007).

Ambivalence is a key obstacle to change at this stage: people both want and don't want change. Miller and Rollnick (2004) suggest motivational interviewing as a tool for helping people resolve their ambivalent feelings and move on. Leaders can help employees to explore the underlying cognitive and affective processes that trigger commitment and effective change. Worst-case scenarios have to be explored. Confronting and resolving ambivalence may create a tipping point to bring the executive on board (Kegan and Lahey, 2001).

Informal networks and symbolic actions are inseparable from social support. Leaders must make sure that people at all levels of the organization are committed to the new way of doing things and that everyone is working in the same direction. Outputs at this stage are a focused/coaching corporate culture, and setting up appropriate systems, technology and structure for its long-term sustainability. Symbolic actions, that integrate learning with sense-making (Schwandt, 2005), provide a framework for articulating the change initiative.

### **Institutionalizing change: building competencies, practices and attitudes**

Leaders need to institutionalize change by building new competencies and practices. Training and development are facilitated through skill-building exercises and other on-the-job practices (e.g. mentoring, job shadowing, job rotations or job assignments).

Practice is crucial at this point and leaders need to recognize the immense learning potential hidden in everyday experience. To what extent has change been actionable? What is actually happening in the organization? Leaders must keep abreast of the day-to-day effects results of the change effort. They have constantly to evaluate the desirability of outcomes and introduce corrective action if necessary. Desired outcomes must be rewarded in bite-size portions, making the overall task more palatable. Sanctions have to be put into place for undesirable behavior.

### **Transforming the organization**

At this point, the successful functioning of new behaviors and ideas should be apparent to all organizational participants. Obvious indicators of this are high levels of job satisfaction and productivity. But the good/bad news is that the change process is never-ending. Organizations need to build an innovative-driven culture that confronts change in a natural and incremental way: a coaching culture will facilitate the adaptability this implies. Leaders will need periodically to revise their assumptions and gather data from the organization to identify new requirements for change.

Having transcended the leadership crisis and established a focused, inspirational and coaching organization, participants will be bound in a compelling connective tissue of vision, mission, culture and structure. There will be clear leadership focus and the

organization will be in the mood for change. At this point, organizations become authentizotic entities, a key quality of which is continuous self-renewal (Kets de Vries, 2001). The action-reflection processes permit individuals and organizations to adapt continuously to the demands of change.

Reflective approaches require a coaching executive role (Daudelin, 1996). This supposes that the safe transitional space will, in the long run, be expanded to become a permanent feature of the system, part of its culture (Amado and Ambrose, 2001). The authentizotic organization finds meaning in work and invests trust in its people. It takes pride in what it is doing and the people who are doing it. It is this that makes the difference and makes an organization a great place to work.

## **Conclusions**

Whether we like it or not, organizations are systems that change continuously. And facing change cannot be the result of a last minute wake-up call or a sudden eureka experience. It has to be a continuous process so that organizations can adapt seamlessly to the environment through an innovation-driven culture.

Summing up the observations made in this chapter, we've looked at how to address the journey of change and identified a number of challenges:

- Challenge 1: executives have to recognize that the status quo can no longer be maintained and that change is inevitable.

- Challenge 2: to make the change process effective, we need to control strategic activities and to become involved in shaping the inner world of employees. To manage this duality, the organization needs participative leadership, a focus on the “hard” and the “soft,” a process that leaves space for spontaneity, and a reward system that reinforces the strategic behaviors that sustain competitive advantage.
- Challenge 3: to create adaptive organizations that are, there needs to be a shared change mindset that provides focused/coaching leadership and a clear sense of direction through a well-articulated vision.
- Challenge 4: it is important to make sure that people at all levels of the organization are committed to change. This may mean the introduction of sanctions if people are resistant.
- Challenge 5: an effort has to be made to build strategic attitudes, competencies and practices within the organization. A reward structure should be put in place to support desirable behavior.
- Challenge 6: organizational results have to be achieved and maintained over time by enforcing the organization’s adaptive capability and the creation of an innovation-drive culture through continuous coaching practices.

The impact of these change processes may be tremendous and they may extend their influence to the whole organization. Coaching/focused leadership can provide a platform for sustainable organizational effectiveness and be an appropriate approach to engaging and developing others. Work places will be *healthier*, in the sense that there will be plenty of fun, cooperation, trust and meaning.

Change initiatives usually include shifts in strategy, structure, systems and technology, but they also need a permanent and lasting transformation of the internal world of the employees. But, as we have emphasized, attention has to be given to external social (symbolic) practices. Symbolic actions serve to build the capabilities of the members at all levels by constructing new shared meanings of daily experiences. In this environment, the salient role of leaders turns into the role of coach to their teams to promote trust and social support.

More than ever before, leaders need to lead from a different place (Pascale, Lillemann, and Gioja, 1997), placing themselves in a zone of discomfort, learning to tolerate ambiguity and coaching their teams appropriately. Only then will organizations have the adaptive capability of self-renewal that characterizes authentizotic organizations. If that is the case, a result orientation and a coaching corporate culture are entwined. This ability for continuous self-renewal will make all the difference. It creates the vitality that characterizes authentizotic organizations. As the Swiss writer, Henri Frederic Amiel once said, “So as long as a person is capable of self-renewal, they are a living being.”

## References

- Amado, G. & Ambrose, A., Eds. (2001). *The transitional approach to change*, London: Karnac Books.
- Argyris, C. (1993). "Education for Leading-Learning." *Organizational Dynamics* 21(3): 5–17.
- Beer, M. & Nohria, N. (2000). "Cracking the code of change." *Harvard Business Review* 78 (3): 133–141.

Bennis, W. G. & Thomas, R.J. (2002). "Crucibles of Leadership." *Harvard Business Review* **80** (9): 39–45.

Coyne, K. P., & Coyne, E. J., Sr. (2007). Surviving Your New CEO. *Harvard Business Review*. **85**, May: 62–69.

Daudelin, M. W. (1996). "Learning from experience through reflection." *Organizational Dynamics* **24** (3): pp. 36–48.

Jaques, E. (1974) "Social Systems as Defense Against Persecutory and Depressive Anxiety." In *Analysis of Groups*, Graham S. Gibbard, John J. Hartmann and Richard D. Mann (Eds.). San Francisco: Jossey-Bass.

Kegan, R. & Lahey, L. (2001). *How the Way We Talk Can Change the Way We Work: Seven Languages for Transformation*. San Francisco: Jossey-Bass.

Kets de Vries, M. F. R. (2006). *The Leader on the Couch: a clinical approach to changing people and organizations*. San Francisco: Jossey-Bass.

Kets de Vries, M. F. R. (2001). *The Leadership Mystique: leading behavior in the human enterprise*. London: FT/ Prentice Hall.

Kets de Vries, Manfred F.R. (2001) "Creating Authentizotic Organizations: Well functioning Individuals in Vibrant Companies," *Human Relations*, 54 (1), 101-111.

Kets de Vries, M. F. R., & Miller, D. (1984). *The Neurotic Organization*. San Francisco: Jossey-Bass.

Kets de Vries, M. F. R. & Balazs K. (1998). "Beyond the Quick Fix: The Psychodynamics of Organizational Transformation and Change," *European Management Journal*, **16** (5), pp. 611-622.

Kets de Vries, M. F. R., Carlock, R.S., & Florent-Treacy, E. (2007). *Family Business on the Couch: A Psychological Perspective*. Chichester: Wiley.

Kets de Vries, M., Korotov, K., & Florent-Treacy, E. (2007). Introduction: A Psychodynamic Approach to Leadership Development. In: Kets de Vries, M.,

Kets de Vries, M., Vrignaud, P., Florent-Treacy, E., & Korotov, K. (2007). INSEAD Global Leadership Centre – 360-degree Feedback Instruments. An Overview. *INSEAD Working Paper 2007/01/EFE*.

Kets de Vries, M. F. R., & Korotov, K. (2007). "Creating transformational executive education programs." *Academy of Management Learning and Education*, **6** (3): 375-387.

Kets de Vries, M., Hellwig, T., Guillen Ramo, L., Florent-Treacy, E., & Korotov, K. (2008). Long-Term Effectiveness of a Transitional Leadership Development Program: An Exploratory Study. *INSEAD Working Paper 2008/24/EFE*.

Korotov, K. (2005). Identity Laboratories. *INSEAD PhD Dissertation*. INSEAD, Fontainebleau, France, and Singapore.

Lichtenstein, B. B. (2000). "Self-organized transitions: a pattern amid the chaos of transformative change," *Academy of Management Executive*, **14** (4), 128-141.

Lucier, C., Wheeler, S., & Habbel, R. (2007). The Era of the Inclusive Leader. *Strategy+Business*, **47**, 1-14.

Miller, W. R., & Rollnick, S. (2004). "Taking oneself into change: motivational interviewing, stages of change, and therapeutic process," *Journal of Cognitive Psychotherapy: An International Quarterly*, **18**,(4), 299-308.

Palmer, I., & Dunford., R. (2002). "Who says change can be managed? Positions, perspectives and problematics," *Strategic Change* (11), 243-251.

Pascale, R., Millemann, M., & Gioja, L. (1997). "Changing the way we change." *Harvard Business Review*. **75**, November/ December.

Schön, D. A. (1983). *The Reflective Practitioner*, New York: Basic Books.

Schrage, M. (1999). *Serious play: how the world's best companies simulate to innovate*. Boston: Harvard Business School Press.

Schwandt, D.R. (2005). "When managers become philosophers: integrating learning with sense-making" *Academy of Management Learning and Education* **4**, (2), 176-192.

Thornhill, J., Milne, R., & Steen, M. (2008). Accent on Egalite: Europe Loses Patience with Its Wealthy Elite. *Financial Times*, June 9, 2008. [www.ft.com](http://www.ft.com) accessed on June 9, 2008.

Wenger, E. (1998). *Communities of Practice: learning, meaning and identity*. Cambridge: Cambridge University Press.

Winnicott, D.W. (1989). *Psychoanalytic Explorations*. London: Karnac Books.

Europe Campus  
Boulevard de Constance  
77305 Fontainebleau Cedex, France  
Tel: +33 (0)1 60 72 40 00  
Fax: +33 (0)1 60 74 55 00/01

Asia Campus  
1 Ayer Rajah Avenue, Singapore 138676  
Tel: +65 67 99 53 88  
Fax: +65 67 99 53 99

[www.insead.edu](http://www.insead.edu)

Printed by INSEAD