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Building Transformational Change
Leadership in Air Lift Group

INTRODUCTION

1. The 2009 Defence White Paper, *Defending Australia in the Asia-Pacific century: Force 2030*, sets out the Australian Government's plan to establish a stronger Australian Defence Force (ADF) which is referred to as Force 2030. However, the Defence organisation needs fundamental reform to position it correctly to implement, own and operate Force 2030.¹ The level of reform will need to be comprehensive and coordinated to build an organisation that is far more efficient and effective, and to create the significant savings to reinvest in building a stronger ADF.

2. This reform is being managed through the Strategic Reform Program (SRP), and aims to create the efficient and accountable Defence organisation needed to deliver and sustain Force 2030 within the funding envelope agreed by the Australian Government.² Consequently, the SRP must reduce Defence operating costs by \$20.6bn over 10 years to reinvest in current and future military capability, in 'the remediation of the Defence backbone and other required initiatives'.³ A new culture based on cost consciousness must be established if Air Lift Group (ALG) is to achieve its designated level of savings of \$332m. Such a fundamental change in ALG's culture must also be enduring and sustainable. This will require a new way of approaching change, since earlier attempts at amending ALG culture have had limited success. This paper examines a change management methodology that is seen as highly suitable by the private sector in achieving transformational change in an organisation.

3. **Scope:** This paper briefly outlines the role and outcomes of the Royal Australian Air Force (RAAF)'s Air Force Improvement program. It identifies what the private sector defines as the core aspects of leadership's role in transformational change and assesses the critical people-centric lean behaviours⁴ required by leaders. By comparing previous change processes with Adaptive Leadership Principles used in the private sector, this paper recommends how ALG can integrate transformational change leadership traits and lean behaviours into its workforce.

AIM

4. The aim of this paper is to identify aspects of transformational change leadership and associated lean behaviours that ALG leaders need to successfully implement the SRP.

¹ Department of Defence, *Defending Australia in the Asia-Pacific Century: Force 2030*, Commonwealth of Australia, Canberra, 2009, pp. 107–108, paragraphs 13.3–13.5.

² Department of Defence, *The Strategic Reform Program: Delivering Force 2030*, Australian Government, Canberra, 2009, p. 1, paragraph 1.

³ Department of Defence, *The Strategic Reform Program: Delivering Force 2030*, p. 5, paragraph 6.

⁴ Lean behaviours are those that add or create value to a process. M L Emiliani, 'Lean Behaviours', *Management Decision*, Vol. 36, No. 9, 1998, p. 619.

BACKGROUND

5. **Air Force Improvement program.** The Air Force Improvement program was established by the Chief of Air Force (CAF) as the vehicle to deliver SRP outcomes and to create the organisational capacity to transition the RAAF elements of Force 2030. Under CAF direction, commanders and supervisors are to maintain a conscious balance between cost, capability, culture, safety and airworthiness, as these have been established as measures of a successful reform. The Air Force Improvement program will be capability-led and underpinned by a top-down approach that aims at maximising the value of each and every element of policy, process and people while delivering the RAAF's outputs. A fundamental outcome of the Air Force Improvement program is that capability (both organisational and workforce), safety and airworthiness are not compromised. Therefore, CAF's stated outcomes of the Air Force Improvement program are:

- a. **Capability.** To deliver deep reforms to meet SRP cost reduction targets and to create the capacity to transition to and operate Force 2030. To regenerate the RAAF's capability and resilience to cover current gaps.
- b. **Cost.** To deliver sustainable reforms to acquit budget reductions under each stream of the SRP.
- c. **Culture.** To deliver a fundamental culture change to the RAAF to include cost-conscious behaviour with respect to the consumption of resources, regardless of source.
- d. **Airworthiness.** To deliver SRP program outcomes without compromising airworthiness.
- e. **Safety.** To deliver SRP program outcomes without compromising safety.⁵

6. To be successful, the Air Force Improvement program must develop a culture within the RAAF that includes an enhanced level of business acumen, decision-making and support systems integral to the command chain. This will allow the RAAF to deliver the most effective capability outputs at minimal cost. This outcome will not result from incremental change, but through the use of transformational change processes that will allow the RAAF to establish a new culture in the minimum possible time, and to deliver SRP outcomes to enable Force 2030.

⁵ Chief of Air Force, *Air Force Improvement Program Management Strategy*, (Draft version) Defence Publishing, Canberra, 2010, pp. 7–8.

LEADERSHIP IN THE PRIVATE SECTOR⁶

7. A common theme apparent in recent meetings with private sector executives is that companies, in the current highly-competitive business environment, must either continuously adapt or die. Many businesses are conducting transformational change activities to adapt to new circumstances, and introducing lean behaviours to achieve continuous improvement.

8. **Transformational Change.** Transformational change is a shift in the business culture of an organisation resulting from a change to an organisation's underlying strategy and processes. A transformational change is designed to be organisation-wide and is enacted in a reasonably short timeframe.⁷ The primary reason why change initiatives fail in the private sector is a lack of active engagement by leadership in the process. This has commonly been attributed to numerous leaders appearing to misunderstand the difference between just 'being involved' in change compared to being 'actively engaged' in the change program.⁸ In a number of cases, leaders of organisations have moved through the process of change far quicker than their employees. This is explained by the fact that a company's leadership is normally fully aware of what the outcome of the proposed change should be, while many employees are unable to see where the change activities are leading. Indeed, employees will only consider management to be actively involved in the change process when it alters its daily activities and participates fully in the process.⁹ Consequently, leaders must adapt their leadership style to successfully transform a company.

9. Over the last three years, Hitachi Consulting has developed the use of Adaptive Leadership Principles for use by leaders in the private sector and these principles have enjoyed a significant level of success in enhancing the success rate of companies undergoing transformational change. The seven aspects of these leadership principles enable the development of adaptive leadership styles required by transformational leaders. They are:

- a. *Understand the business case for change.* The business case for the change has to be meaningful to employees and allow them to accept the need for the change. All stakeholders should understand the sense of urgency and reason for the change.

⁶ The views of private sector leadership were gained during the Centre for Defence and Strategic Studies' Strategic Management Study Block tour of Adelaide and Melbourne. Due to the Chatham House Rule, comments are not attributed to individuals.

⁷ BusinessDirectory.com, 'Definition of Transformational Change', available at <<<http://www.businessdictionary.com/definition/transformational-change.html#ixzz122SDNcxq>>>, accessed 11 October 2010.

⁸ Peter Hines, *Staying Lean: Thriving, not just surviving*, Cardiff University, Cardiff, 2008, p. 26.

⁹ Hines, *Staying Lean: Thriving, not just surviving*, p. 29.

- b. *Executive team engagement in the change.* Executive leadership must adapt their behaviour so they show accountability and ownership of the change plan, and establish a communication plan that allows frequent two-way communication throughout the organisation. Such actions show employees that management is positively and actively engaged in the change process.
- c. *Engage all of the organisation's leaders and prepare them to lead.* Executive leadership must identify change agent leaders at all levels throughout the organisation. While transformational change is initially developed and led by the organisation's executive leaders, it is the combination of leadership by both formal and informal influencers that enables transformational change to be established throughout the organisation. From the start, the organisation's leaders must be fully aware of their specific roles in the transformational change plan and how to work with the planned change.
- d. *Build a broad understanding of the change process.* All leaders must understand that change is inevitable, the stages of change, and the reasons for change failure. This means they can identify the signs and stages of change and manage any resistance when dealing with change.
- e. *Evaluation and adaptation of the change effort.* Diagnostic tools must be used to evaluate the risk associated with the change and to measure the rate of change of the organisation from its original baseline. Such tools allow leaders to adapt their leadership style to improve how they manage the change processes.
- f. *Develop adaptive leadership skills and capabilities.* Adaptive leadership must have people-centric management skills that are significantly different to the normal authoritative leadership styles used in day-to-day organisational processes. The development of these skills is essential for all leaders to help their personnel through the personal transitions involved in change transformation.
- g. *Create change leadership plans.* While change plans normally require leaders to communicate the expected impact of the transformational change and generally hold leaders accountable for change outcomes, these change plans generally do not address the question of how to lead personnel through the change process. Change leadership plans must have separate roles and tasks for the six stages of a change project: namely mobilisation, definition, design, development, deployment, and transition.¹⁰

¹⁰ Hitachi Consulting, *Changing Leadership to Lead Change and Enhance Executive Accountability*, Hitachi Consulting Corporation, Dallas, 2007, pp. 4–17.

LEAN BEHAVIOURS

10. Private sector organisations that have introduced lean process improvements often also address three personnel related aspects of their business: strategy and alignment; leadership; and behaviour and engagement.¹¹ These aspects actually work hand-in-hand with Adaptive Leadership Principles, and their combined effect has led to fundamental culture changes in organisations. Achieving the Air Force Improvement program, and consequent SRP outcomes, requires a sustainable internal transformation of ALG.

11. *Strategy and alignment.* The transformational change strategy must be logical and have a clear vision and purpose that can be easily communicated throughout the organisation. Alignment ensures that all stakeholders understand the strategy, and that all employees contribute to the successful achievement of the organisation's goals.

12. *Leadership.* Leadership is required at all levels of the organisation, and the employees must view the leaders as trustful, passionate, people-focussed, innovative and energetic. Also, the leadership must actually lead the change; not just manage it.

13. *Behaviour and engagement.* As transformational change can mean employees become insecure and anxious, and thus resistant to change, the leadership must show trust, honesty, consistency, objectivity and respect. They must also show they listen to their employees. Only when the leadership consistently practises such behaviours will the initial culture change start and the employees join the process and adopt lean behaviours.¹²

TRADITIONAL AIR LIFT GROUP CULTURAL CHANGE PROCESSES

14. Previous cultural change processes in the ALG were the result of external demands by higher authorities and normally only occurred over a relatively short period.¹³ Previous management processes also only used a top-down approach, with the chain-of-command being the main method to pass on the vision and intention of the change process. So, while short-term changes were enacted, there was no sustainable long-term transformational change.

¹¹ Hines, *Staying Lean: Thriving, not just surviving*, pp. 37–41.

¹² 'Leadership in the Australian Defence Force', *Australian Defence Doctrine Publication 00.6 (ADDP 00.6)*, Defence Publishing, 22 March 2007, paragraphs 4.19-4.20.

¹³ As a result of the Defence Efficiency Review in 1997, the ADF introduced the Defence Reform Program for the period 1997–2000. While there were reported one-off savings of \$500million and annual costs of up to \$1billion for the ADF, this was the last significant attempt to establish a change in culture in the ALG. Mark Thomson, 'Easier Said Than Done: At the six year remaking the ADF', *Defender*, Winter 2005, pp. 11–15.

15. The use of Adaptive Leadership Principles was not explored in earlier attempts to make a cultural change in the ALG. In line with previous ADF management methodologies, personnel were just expected to follow the directions of their senior commanders to achieve the directed outcomes. The ADF simply lacked the ability to develop a new culture, based on a clear vision and two-way communications—a plan that engaged leaders at all levels throughout the organisation.

TRANSFORMATIONAL CHANGE LEADERSHIP IN AIR LIFT GROUP

16. Significant reductions in the ALG's budgets for the 2011/12 and 2012/13 financial years mean that the Group needs to establish internal transformational changes within a very short timeframe. The positive change climate fostered by the Air Force Improvement program means ALG is now able to introduce Adaptive Leadership Principles and lean behaviours that would allow for transformational changes to its business activities and the establishment of a new cost-conscious culture.

CONCLUSION

17. The ADF's improved management practices now more closely resemble private sector processes. This means the Air Force Improvement program's ability to develop a culture within the RAAF is more achievable than under previous efficiency programs. The culture includes an enhanced level of business acumen, decision-making and support systems that are integral to the command chain.

18. Transformational change processes using Adaptive Leadership Principles and lean behaviours are assessed as the most suitable means to establish a new culture within the ALG. They will allow for the delivery of SRP outcomes and the realisation of Force 2030.

RECOMMENDATIONS

19. To achieve transformational change in the ALG, this paper makes the following recommendations.

- a. The ALG should introduce Adaptive Leadership workshops to be run with the existing Executive Change Leadership training courses.
- b. The ALG should identify change agents at all levels throughout the organisation and place those personnel on Executive Change Leadership training courses.

- c. The ALG should draft and distribute change leadership plans (covering all stages of the change project) for comment within the ALG as soon as possible.
- d. The ALG should prioritise the development of its communications plan for the transformational change program.
- e. The ALG should develop and introduce the diagnostic tools needed to evaluate the risk associated with the change and to measure the rate of change of the organisation from its original baseline.

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