# Walk the Talk

# Radio for Agile Minds

# Top Down or Bottom Up?

| Shelley | **It's that time of the month when we welcome Nick Anderson to the studio.**<br><br>Nick is Senior Partner for Professional Development Services – The PDS Group<br>Each month Nick chooses a topic related to the business world in West Michigan focusing on the transitions this economy is going through<br>Welcome….What have you chosen for us this month? |
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| **Nick** | My topic continues a theme of how to achieve successful *and* sustainable change. Today my question is: What are the problems associated with top-down or bottom-up approaches to changing an organization?<br><br>Ideally you would make it personal!  You make sure your team members buy into it, own it, implement it, and are rewarded for it in their work relationships.<br><br>Why is building productive relationships so important?<br><br>Well, a consultant and friend of ours, Timothy Kight, reminds us that "Performance is Personal before it is Organizational".  None of us work in a vacuum.  Improved workplace performance requires **productive relationships** with peers, |

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| | bosses, subordinates, customers, clients, vendors, suppliers, and the community. |
| **Shelley** | What is the essence of productive relationships? |
| **NICK** | • Knowing and delivering WHAT MATTERS to your partner<br><br>How do you KNOW WHAT MATTERS?<br>• Through effective communication!<br><br>How do you DELIVER WHAT MATTERS?<br>• Through mutual accountability!<br><br>How do you build a productive relationship?<br>• You take responsibility and initiative, and communicate effectively!<br><br>What are the benefits productive relationships?<br>• Clarity of expectations<br>• Measures of progress, what matters, what's important<br>• Confidence you're doing the right things right<br>• Personal performance up to your potential<br>• People / Team "in tune", on the "same page"<br>• Achievement of short and long term plans and goals |
| **SHELLEY** | How do you reconcile this approach with a top-down approach? |
| **NICK** | Not easily. A top-down approach to change management implies imposed change as the initiative comes from the top. Decision-making is centralized at higher levels of the firm, excluding lower-level employees in the change process, even though they are directly affected. Top-down |

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| | change is about making changes quickly and dealing with the problems only if necessary. The problem is that top down approaches to change management increase resistance - the biggest problem in changing any organization. Regardless of how well these top level decisions are made, change management will be insufficient because they ignore so much of the organization. Where the leader makes all the decisions and expects subordinates to follow creates resistance to change. Naturally, people who are forced to adapt to change have the initial reaction to resist. |
| **SHELLEY** | What are the other limitations of this top down approach? |
| **NICK** | Change based on unidirectional, rational and traditional approaches has very definite limitations. Problems to this approach include: <br><br>(1) Decision-making is limited to the top of the organization, therefore a lack of information, suggestions and ideas coming from the bottom; <br><br>(2) People at the top are not willing to listen to lower level employees' ideas, suggestions or feedback, resulting in poor employee motivation and performance; <br><br>(3) There is very little task delegation involved in the change process, thus lower level employees can feel they are somehow incompetent and under qualified for such tasks; <br><br>(4) Keeping the change process to the upper level of the organisation, breeds scepticism from |

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| | amongst the lower level people; |
| | (5) Misunderstandings because of communication problems and inadequate information of both parties; |
| | (6) Many differing assessments to a given situation exist in lower levels and different functions. These employees have little chance to participate, do not know for sure the exact circumstances revolving around the change, and thus resist it. |
| | Reasons for the top-down approach "problems" in change management often rest on leaders clinging to the belief that power, privilege and success lie in their core group |
| **Shelley** | Have you got an example of this top down approach and why it failed? |
| **NICK** | In previous programs I have often quoted software development and systems implementation problems. E.G. Only 7% of DoD software projects were implemented and used as intended. But, closer to home, we partnered with Salient Technologies to get a job shop scheduling system operational.<br>The history was a litany of missed deadlines and budget overruns. Crucially, only a few people had been consulted on what the issues were in overcoming bottlenecks and waste. The system was seen as idealistic at best and difficult to use. Compounding the users' scepticism was the positioning and training on how to use the PC's on the shop floor. Employees resisted mightily, avoiding training and blamed the new application for their frustration. Consequently, $400,000 later and with only one person using the system |

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| | we were asked to get the system operable and used by all those of the factory floor.<br><br>We based our approach on fast participative cycles of "Think, Do, Fix" involving representatives of the different user groups. Each week we teased out the problems and prioritized them by biggest return and what we could deliver by the next meeting. The PIT - Performance Improvement Teams had the budget and authority to make decisions. Classically this was Action Learning at its best. Within six seeks we had the system operational and being used by some 50 users across the five lines of business. |
| **Shelley** | So, this was bottom up rescuing a failed top down approach. So, why don't leaders use a bottom up approach all the time? |
| **Nick** | Bottom-up change management seeks to involve those affected in the process of change. This approach seeks to avoid the pitfalls of imposed change by allowing individuals within their working groups to come to terms with change. Bottom-up is often associated with the emergent change process like trends in technology demand rethinking what markets we want to play-in and with what technology.<br><br>This approach typically runs into several problems being too slow to respond effectively to short-term business demands. When change initiatives come from the grass roots it takes a considerable amount of time to diffuse the change throughout the organisation, particularly to the higher-ups. In essence, this approach is based on collective decision-making. |
| **Shelley** | Why is it so time intensive? |

| Nick | Time problems with this approach are varied.

1 There is an inevitable mismatch at the point where the bottom-up change process meets the top levels of the organization, where a different process has been at work.

2. The lower levels lack strategic perspective, thus running the risk of making people more effective at performing the wrong work.

3. Being a lengthy approach, it requires substantial energy from outside the organisation to get it started. There is also the difficulty of incorporating all the perspectives and knowledge into a new system to be embedded.

4. A bottom-up approach raises questions about the motivation and skill of employees to develop an ambitious solution that will force them to change their ways.

5. Participative approaches to change can be derailed by resistant managers, unions, and workers, further lengthening the process of change.

6. Collective decision-making is by nature a lengthy process as compared to those decisions made by only a few select people. |
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| **Shelley** | |
| **Nick** | The New York Stock Exchange (NYSE) merged with Archipelago Holdings and the management's decision to inform its members about the merger agreement was top down. Their reasoning was that the change at NYSE is first and foremost institutional. Institutional changes are usually |

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| | motivated by some sort of landmark event(s) which put the higher management in motion. Secondly, a prompt, top-down approach was practical: the gradual, bottom-up approach was a worn-out path that had steadily failed in the past. Talks to take the NYSE public and transform it into a for-profit entity—in order to give it a more effective management and governance structure—started long ago, but yielded no results. |
| **Shelley** | If you were a senior executive, which approach would you take and in what circumstances? |
| **Nick** | Under critical situations, a top-down approach is appropriate. Crisis calls for immediate and fast solutions, which is exactly what a top-down approach offers. In these situations, once the plan is defined by the top management, there is no turning back, as there is only one bullet in the gun, meaning only one chance to implement it. If there is great pressure to produce quick results, the organization can be paternalistic towards its employees who would more likely be reduced to helpless recipients of a crisis. Where employees are given directions and specific paths to follow and the employees are expected to follow exactly as told, without disagreement. This would make use of valuable time for vital activities rather than spending time gathering the various ideas from the lower level of the organization and consolidating them into one functioning whole.

When objectives are high, time is short and only few elements are currently available, top down is the suitable approach to change management. If the company does not want to be overrun by irrelevant details brought about by a participative decision-making advocated by the bottom-up approach, and especially in situations |

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| | where timing is crucial to the success of implementing change, it is best that the organisation adapt a top-down approach to change management. With the quick nature of decision-making required of a crisis situation which is characteristic of the top-down approach. |
| **Shelley** | OK. Got that but when is a bottom up approach more appropriate? |
| **Nick** | Where innovation is needed bottom-up is more appropriate in change management. Innovation is essentially participative, and relies on a variety of ideas by involving everyone in the organisation. When such wealth of information is needed, matching the ideas from at the lower level and those from the Leadership, make for collective decision-making. T breeds an atmosphere of innovation within the company, making it easier to pave way for change inside it.<br><br>In allowing everyone in the firm to participate in the change process, there are naturally various sources of information at hand that the top level managers can bring into one useful and innovative whole. When collective decision-making is supported, people are tasked with the responsibility of contributing anything he or she can for the betterment of the company, thereby carrying everyone on the crest of success |
| **Shelley** | How do you use these two approaches together? |
| **Nick** | These two approaches are ineffective by themselves. Breakthrough improvements in performance can only be achieved by blending these two. It's a question of how you blend them. Top-down direction setting creates focus and the conditions for performance improvement. It then needs to be blended with a broad-based, bottom-up performance improvement to get people at all levels to take a |

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| | fresh approach to solving problems and improving performance.<br><br>The best way is to think of your organization as a learning vehicle. The Learning Organisation refers to participative management and the interconnectedness of people while supported by the leadership. Knowledge and skills are seen as important resources to determine organizational success, and the organisation can be improved by focusing on the learning process. It is determined through trial and error through goal setting and feedback. The Learning Organisation advocates that the more involvement of those affected, the more fruitful the experience may be to all concerned. |
| **Shelley** | How would you define the Learning Organization and why is it so important for listeners to understand. |
| **Nick** | The key is *how* organizations process their managerial experiences. Learning Organizations *learn* from their experiences rather than being *bound* by their past. In such organizations managers are not measured by *what* he or she knows (that is the product of learning), but rather by *how* it learns -- the process of learning. Management practices encourage, recognize, and reward: openness, systemic thinking, creativity, a sense of efficacy, and empathy. There is no 'one best way' for all organisations. Structure, and therefore performance, is dependent upon the particular circumstances, situational variables, faced by each organization. There is a balance between top-down and bottom-up, which will require careful thought by managers. Although top-down efforts create the focus and the necessary preconditions for transformational |

| | change, they alone are not sufficient to achieve it. It would be more accurate to say that change should be initiated bottom-up and sustained top-down. |
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| **Shelley** | Tip of the Month |
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