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Leadership development as a vehicle for change during merger

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James Paterson

is currently Director of Global Management Development Programmes for AstraZeneca, on secondment from the Finance function, having managed the Group Financial Reporting Department before that. James developed his interest in leadership and organisation development while he was on the IMPM programme, obtaining a Masters degree in Management in 1999 from McGill University (Canada) looking at creativity and innovation, working under Professor Henry Mintzberg.

KEYWORDS: leadership development, merger, change, cultural integration, action learning

ABSTRACT Astra and Zeneca merged in 1999 to form AstraZeneca, one of the top five pharmaceutical companies in the world. This paper looks at the role that new leadership development programmes played in supporting cultural integration. Three new global, cross-functional leadership development programmes are described, outlining how the objectives, design and style of the programmes supported the merger effort. Outcomes from the programmes are discussed as well as the broader lessons that have been learned; the key ones being the importance of managing change proactively, the need to have clear objectives that are aligned with the company's strategic objectives and that also meet the needs of the participants and, crucially, maintaining senior management support.

INTRODUCTION

This paper outlines the role that leadership development initiatives played as vehicles for change within AstraZeneca during the first two years after merger.

The authors are Angela Hyde (Vice President of Learning and Development), who led the initial thinking about leadership development in AstraZeneca as

a vehicle for cultural integration and change, and James Paterson (Director — Global Management Development Programmes), who ran a large Finance department for the first year of the merger before moving into the Learning and Development area to design and run other global leadership development programmes.

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BACKGROUND

Prior to the merger, both Astra and Zeneca were predominantly pharmaceutical companies of similar size (20,000–25,000 employees), focused on developing innovative medicines for the treatment of disease. The two companies had strong histories of growing their own businesses ‘organically’. By 1998, Astra, a Swedish-based company, was ranked 11th worldwide, with strong franchises in cardiovascular and respiratory products, and marketed the number one prescription drug in the work, Losec, for acid-related gastric disease. By the same year, Zeneca, a UK-based company, was number 19 worldwide, with a similarly strong track record and complementary franchises in cardiovascular drugs, anaesthetics and anti-cancer therapies.

Thus despite a number of differences, the former companies were similar in many ways — being close in size and value, both built on strong organic growth that had delivered significant shareholder value in the past, and with similar cultures based on innovation and common values, particularly in relation to employees.

BUSINESS CASE

The challenges identified for the newly merged company were:

- keeping business focus
- fast and effective integration
- delivery of synergies
- retention of key talent
- the creation of a new culture, while continuing to grow shareholder value.

It was also recognised that a number of mergers do not achieve their objectives owing to cultural issues. Therefore, shortly after the merger, the AstraZeneca Senior Executive Team (SET) decided

that proactive steps should be taken to build the company’s new culture and values. All employees were encouraged to engage in dialogues at a department or team level to discuss the company’s vision, including aspirations for the new culture and values. This approach was taken to bring the stated values to life and to help individuals make this meaningful for their own department or team.

In addition to this initiative, leadership development was identified as a particularly important area for the new company to focus on, reflecting the unique role that leadership plays in shaping and developing an organisation’s culture. It was recognised that it could be used as a powerful vehicle for supporting the massive change associated with cultural integration.

THE GOAL PROGRAMME

In the light of the above, AstraZeneca’s SET approved a range of proposals on how to support the development of the new culture and values. With regard to leadership development, a key proposal was to go ahead with a global cross-functional leadership development programme, initially for the top 200 people in the company, with the SET members themselves being the first to participate. Leadership development was positioned very clearly within the business context of supporting the merger.

The GOAL (‘Growing our AstraZeneca Leadership’) programme had three objectives:

1. To support the development of a unifying culture:
 - to bring people from the different parts of the organisation (former company — Astra or Zeneca, function — R&D, marketing, etc.,

- country — USA, UK, Sweden, etc.) together to work on the development of the culture and values of the new organisation.
2. To develop leadership capability both at the collective level as well as on the individual level through the development of leadership capabilities.
 3. To stretch our ability to work globally:
 - The SET agreed seven generic leadership capabilities as a basis for doing this.
 - With the step change in size and complexity in the organisation, leadership needed help working through the real challenges they were facing, in particular, with issues linked to working on a more global basis such as (I) how to establish trust quickly, (II) how to work with difference, (III) how to work with remote teams, and (IV) how to move flexibly between groups.

The fact that the GOAL programme was owned and led from the top sent a very powerful signal throughout the organisation and helped to ensure Senior Management interest during such challenging times. A team of external 'learning coaches' was recruited from the USA, UK and Sweden to work with AstraZeneca on the development of this programme and 'action learning' (where participants work with their colleagues on their real issues) was established as an important methodology to be employed during the programme.

DESIGN OF GOAL

It was important that the GOAL programme should not be just another leadership development programme. It should not be about 'experts' coming in to lecture on leadership but should be

firmly set within the organisational context and aim to use and harness the talents of people in the organisation.

The programme comprises:

- An initial three-day workshop which allows the participants time to take stock of their own leadership style (focusing on strengths, as well as development needs) and consider how they are contributing to AstraZeneca's success, both from the point of view of getting critical tasks achieved, and also from the point of view of the culture their leadership style is creating. The module seeks to explore the day-to-day reality of the challenges that the participants face and to help them develop their personal values and determination to make a difference. In order to do this, skilled learning coaches are used to support and challenge the participants, and this is further developed by getting small groups of participants to work together in 'Business Challenge Groups' (BCGs).
- The BCGs use an action learning approach, also supported by a learning coach to help the participants assist one another on the real business challenges they are facing. These BCGs have the advantage of helping the participants develop their leadership capabilities, while at the same time working on real business challenges. Through the BCGs, a considerable peer coaching capability was developed within the company's leadership group. The BCGs typically meet twice before the second event.
- A final two-day workshop is held six to seven months after the first workshop in which the BCGs share their learning and consider what collective action might be taken to improve the organisation's effectiveness.

By mixing former Astra and Zeneca people from different areas and working together on current business challenges using 'action learning', an innovative and learning environment was encouraged to develop. Levels of trust between colleagues in different parts of the organisation are deepened which helps to:

- encourage a whole organisation mind-set (reducing the risk of 'silo-thinking' or 'us and them')
- build networks and open up channels of communication
- encourage a shared ownership for the development of a new culture.

The programme also highlights the links between effective leadership and learning — with a key attribute of successful leaders being their ability to learn, with learning and change being intertwined. To develop an appropriate climate for learning, openness and an experimental mind-set are encouraged and the participants themselves are expected to get involved and shape the programme as it evolves.

OUTCOMES

In general terms, the GOAL programme has played a very useful role in helping the leadership group to step up to the larger, more complex roles they now have and also to recognise how many of their 'problems' were common ones, typically the inevitable dilemmas of leadership and change management. The programme was also helpful in helping a number of leaders to understand difference in all its forms (professional specialities, nationalities, company background) and to value what it could bring when thinking about a particular issue. The programme also encouraged more of a 'whole organisation' mind-set,

helping leaders to see more fully how the separate parts of the organisation were interconnected. It was also encouraging to see how the programme helped managers to move on from a thinking about how things had changed from the past to focusing more firmly on the company's future and vision.

Although it is difficult to 'unpack' all of the organisational impacts, it is clear from the feedback, as well as anecdotal evidence, that the programme more than paid for itself in terms of issues that have now been resolved and the innovative new approaches that have now been adopted in the organisation.

SUBSEQUENT DEVELOPMENTS

With the success of the GOAL programme with the most senior 200 leaders in the organisation, it was agreed that the GOAL programme should be continued in 2001 and 2002, taking in other layers of management. By the end of 2001, around 500-600 of the most senior managers have attended the GOAL programme and, by the end of 2002, some 900 managers will have attended.

Following James' move into Global Leadership Development in 2000, several other leadership development programmes were initiated.

DEVELOPING LEADERS PROGRAMME

This programme was designed for the company's 'talent pool' in order to accelerate their development as they prepared for more senior roles in the organisation. Its specific objectives are to give the participants:

- a deeper understanding of the healthcare industry and external trends and to consider the implications for the company and leaders of the future

- a deeper understanding of the AZ business model, strategy and key objectives generally and in relation to their current role
- an improved ability to lead change and to work effectively with a wide range of colleagues from different disciplines and cultural backgrounds
- an increased capacity to learn and develop from day-to-day activities
- a deeper understanding of their own perspective on leadership, their strengths and future development needs.

It will be clear that the authors believe that the capacity to be an effective leader and to deal with change well is closely linked to the capacity to learn.

Around 100 people have participated so far, and in the region of 100–150 participants are expected each year.

It was considered whether the format of the GOAL programme was appropriate, whether 'public' programmes would be suitable as well as whether the programme might be run in conjunction with a business school. After careful consideration, it was concluded that none of these alternatives would meet the rather special needs in the 'post-merger' environment. Again a key message here is the importance of being very clear about what one is trying to achieve from a change management point of view in the leadership development arena and to be clear about how the design of any programme is going to meet these needs, either for the individual or the company. The clearer the link is, the easier it is to maintain senior management support for the programme, and the easier it is for the participants to apply what they have learned back at work, and this is one of the major benefits of the programmes developed here over generic programmes.

Another important role that the new

programmes play is that their very existence says something about the identity of the new company and helps people to see that things have changed. At the most simple level, the fact that the programme has a new name and that the nomination process is different from either of the previous companies helps signal the company has a new identity. At a more fundamental level, the style of the programmes, the mix of participants from the previous companies and the involvement of senior leaders (who are actively involved in the Developing Leaders programme) help to create the new identity. That said, the importance of good communication about the changes that have been made (using a variety of means) to make sure that people see tangible evidence of changes cannot be overestimated.

SENIOR INDUCTION PROGRAMME

This was another new programme developed for AstraZeneca. This programme builds on existing induction activities that work on a local basis and is focused at new leaders within AstraZeneca in global roles and is aimed at helping them to:

- understand the AstraZeneca Business strategy and key challenges
- understand the business model and how the different activities in the company fit together
- build their network within the company
- meet and discuss issues with members of the SET (the SET are actively involved in this programme).

Overall, the programme provides a great opportunity for the new senior leaders to work through their 'change curve' so that they can act more quickly in an effective way. It also gives the SET an

opportunity to hear about the company from a fresh perspective, which has been valued by them.

The first programme was held in April 2001 and another programme is scheduled.

CONCLUSION

This paper has particularly focused on leadership development initiatives in AstraZeneca, which has been only a small part of the whole range of other activities we have worked through following the merger (led by line managers and the HR function). Nevertheless, leadership development initiatives have played an important role in individual and organisational change during the merger, in part owing to the visibility that 'flagship' leadership programmes often have, but more

fundamentally because of the links between leadership, learning and change.

Even though AstraZeneca has now moved on from post-merger integration activities, we believe that leadership development will continue to play an important role in helping the company to achieve its objectives and to manage change at an individual and organisation level owing to the fundamental links described above. Learning through the merger, however, has highlighted the importance of having clear objectives for any leadership development programmes that are progressive, in line with the company's strategic objectives and owned by senior management. The need to deliver quickly once a need is identified should also be highlighted; change is much better addressed in advance or at the time it is happening — not after the horse has bolted!