

Making Organization Change Simple to enable any organization and leader at any level to master change

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Be it challenges brought on by changing workforce demographics, customer and/or supply chain economics, environmental issues or other factors, it's pretty clear that most organizations face an enormous amount of change. On the other hand, if it is true as many authorities suggest that 70% of major programs fail (Kotter, 1996; Beer and Nohria, 2000b; Keller, 2010; etc.), then executives need a better approach to managing change.

The purpose of this paper is to share techniques that have resulted in the realization of over \$2 billion in productivity saving. This article reviews what appear to be fundamental principles and provides a structure for applying them in a framework that most organizations will find simpler and more effective to achieve their change objectives. It includes a number of anecdotes shared by former clients and colleagues. The focus is in explaining why these principles are effective, and how adhering to them in managing a change program can increase the likelihood of success.

It's Really Simple ... But Difficult to Do

Ask any project manager how well his or her organization manages any change and you are likely to hear reservations and concern. Interestingly, you are also likely to hear that the organization has used any number of different change methodologies (e.g., from method vendors like PROSCI, IMA, etc., or consulting firms like Accenture, EY, PWC, etc.) but still with mixed outcomes. Why, given the interest and support available, are consistently good or positive change outcomes so elusive and problematic? In evaluating the experiences of major change programs across a number of industries over a 35-year period, there are two factors that have proved critical to change success. When these two factors were present, change occurred rapidly and with no or only modest levels of resistance. When absent, however, change outcomes were always disappointing, and usually involved significant resistance and considerable additional expense.

The factors? The first is *trust*. Where senior leaders build and maintain trust among their direct reports and others in their organizations, people are much more likely to readily embrace change despite the level of disruption or personal impacts involved. The leaders in organizations with high trust seem to understand the importance of building relationships and transparency throughout the layers of management as key levers to initiate and sustain change. Indeed, independent research of the experiences of hundreds of thousands of employees has found that trust in leadership and one another is highly correlated with superior performance and change results (Parry, 2015).

This is not surprising. When trust is low in leaders, their directions and avowed interests are likely to be suspect and cause people to compare notes in search of reassurance. In circumstances of low trust people will also look for any signs of weak support as an excuse for inaction. Such rearguard actions are often taken as signs of resistance but when you discuss this with the "resisters" you find they do not trust the information their leaders have communicated.

Covey (2006) describes the importance of trust as a limiting factor for leaders. In his terms, when trust is low a tax must be paid for anything you want to do; change or any initiative will always be harder and take longer. We see this all the time in change programs where employees do not trust their leaders, and it is not just the senior leaders who are important here. Consider, for example, the progressive vice president who in an effort to "go paperless" removed all but one printer from a building housing several hundred employees. Yet, after a year the filing system was still expanding because employees felt they needed to be able to defend themselves from their supervisors should any problems arise. Obviously, this kind of behavior is unproductive and did not just undermine the executive's program but its underlying business case, as well. How do you know if your organization has a trust problem? Organizations with trust issues often conclude they need to improve leadership

alignment to improve communications. But increasing the fidelity of information conveyed won't overcome the doubt that insufficient trust creates. Ironically, getting leaders to use a consistent set of talking points more likely will erode trust in leaders by implicitly conveying their lack of understanding and reliability. Or as one client puts it, "For many employees, carefully crafted messages are more likely to be perceived as coming from the 'spin doctors' at the Ministry of Truth (and ignored, if not actually ridiculed)."

In organizations where leaders are known for their candor and honesty people will be more willing to accept what they are hearing and resistance is more likely to be low. Those organizations are likely to readily embrace the view that, "You don't need to say the same thing to mean the same thing," where managers at various levels work to help their teams not just hear but also understand the relevance of communications for their groups. In these circumstances information is more likely to be acted upon and fear kept under control (Parry, 2015).

The second factor is *stress*. Interestingly, there is a common sense notion in the change management literature that leaders should create a sense of urgency to drive change (e.g., Belasco, 1990; Kotter, 1996). Unfortunately, anything that triggers fear will increase stress, and frequently to a level where performance is impaired. Further, the impact of stress on brain activity significantly lowers rates of learning – think, "Stress makes people stupid" (Goleman, 1995) – while at the same time increasing the potential for resistance (Golard and Spencer, 2013). An increase in work (or reduction in productive capacity) from a change of more than 10% is likely to have a deleterious impact on performance (Sirkin, et. al., 2005).

A former client in reviewing this article shared a story to illustrate his view that trust drives *eustress* (i.e., stress associated with optimal performance) that brings a positive commitment and energy to achieving a desired change. "We had a situation where a group of employees had to be put in the basement, in tight quarters, uncomfortable heat, and they loved it! They wore their poor conditions as a badge of honor and a visible commitment to the change program. And it's funny, this kind of stress actually built more trust and commitment when we recognized and acknowledged it appropriately."

Trust and stress also appear to be countervailing factors. Where trust is high stress is likely to be low, perhaps because employees feel free to share their concerns with their leaders; while where trust is low stress is likely to be high, where the lack of dialogue increases uncertainty and breeds alarm. Concerning the importance of this interplay, a colleague observed, "as soon as you stray from building trust and controlling stress as a leader, nothing is likely to work quite right. I think of the COO of a major company with whom we worked as the poster child for this. As charming as he could be and as much as you might want to trust him as a graduate of West Point, he would get aggressive at the slightest provocation and thought nothing of being threatening. Then, any intervention (e.g., when the CEO tried to guide him or we tried to offer consulting support) didn't seem to work quite right and, to Covey's point, everything took longer and involved more pain."

So, there are two simple things (yes, just two!) any organization can do to improve change outcomes: build trust across layers of change leadership and control the stress in the workplace for those impacted. Of course, these are difficult things to do, especially for leaders who lack the time or patience to worry about the trust they enjoy or stress they create. But the implication for change managers is clear: the odds of success can be increased significantly by explicitly monitoring and managing trust and stress levels in making program decisions.

A Simple Model

If trust and controlling stress are critical, how can an organization accomplish these things throughout what is sometimes a multi-year change program? As it turns out, there are three stages during any change program which, when managed appropriately, have the natural result of increasing trust and controlling stress. The simple model that drives these results is laid out in Figure 1 below. Both the steps and their sequence are critically important.



Figure 1. Change Made Simple Model

The model starts with engagement and listening, then focuses on establishing change objectives (in terms that stakeholders have noted are important), and ends with the building of the change itself. Communications are important throughout but naturally vary, starting with messages on why change is necessary when engaging the organization, then moving to the how the organization can take action, and ending with messages on progress to build confidence in a new way of working. Let's review how each factor in the Change Made Simple model contributes to increasing trust and, at the same time, controlling stress in any organization transition.

I. Engage

Organizations often leap to required actions in making change but thereby inadvertently reduce trust and/or generate significant stress. Faced with an organizational problem, it is tempting for leaders to try to offer a solution (Heifetz, et al., 2009) – after all, isn't this why they are "paid the big bucks" and shouldn't they know what should be done? But when solutions are presented without an understanding of what the problem looks like from the employee's perspective, it is easy for the prescriptions to come across as incomplete and perhaps even off target. Worse, when habits and ways of working are longstanding (Lewin, 1974), this creates a situation in change programs where leaders can come across as indifferent to what the change will mean for their employees and the stakeholders they serve.

A better alternative is to start with a *case for change* that indicates why, in leadership's judgment, a change may be necessary. Ideally this case will clarify the problem or challenge and be stated in such a way as to invite perspectives key stakeholders may have of the situation. The goal at this stage is to understand the perspectives or frames of references of the different stakeholders as well. It is also a tremendous opportunity for senior leaders to educate their teams on the financial dynamics of the enterprise, and in transformational change programs, where economic fundamentals and attributes of business models shift, this understanding is a precondition for action.

Change practitioners have understood for a long time the importance of frames of reference in managing change (Lewin, 1974, Kanter, R., et al., 1992; Conner, D., 1993; Axelrod, R., 2010; etc.). It is difficult to communicate effectively if you do not understand how the listener will interpret and process the information that is conveyed. But during periods of change this can be a complicated process with other change experiences, work demands, and the organization climate often shaping what information means for each individual hearing it. In such circumstances it is easy to fail to inform or mobilize the organization.

By starting with a dialogue about the problem or challenge without a fully formed solution already in mind invites stakeholders to share their perspectives and concerns, and truly engage. Two powerful questions to ask in presenting a case for change are, "What problems does this cause you in doing your job?" And, "What problems do you see this causing our organization and stakeholders?" Answers to these questions will help change leaders eventually frame the change in words all stakeholders will understand and value.

Early dialogue can be tricky, however. As Figure 2 depicts, change starts typically with endings and this makes conversations inherently emotional rather than logical (Bridges, 1991). For those organizations that have tended to use layoffs and restructurings to address performance problems in the past, this means the first reaction to any problem or case for change may be fear.

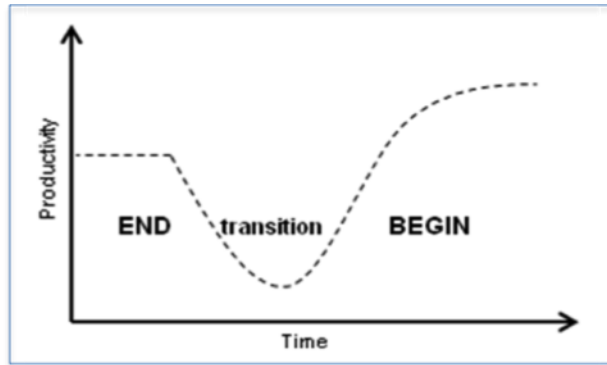


Figure 2. The Change Experience

The Engage stage directs the change leader to start by listening to understand the perspectives and potential fears of those who will be required to change (Conner, 1992). Critical is to be allowing and accepting at this stage to tease out the change fears that will otherwise provoke significant resistance. Kick-off meetings with the top 10% of the management team are especially helpful to build a common understanding of the case for change and prepare leaders for the listening work ahead to surface potential change and communication issues. Importantly, listening promotes trust and helps to control stress as the change process is getting underway. It creates an opportunity for stakeholders to help shape the change or at least the way the change is discussed. The underlying trust-building principle in the Engage stage is to *listen first* (Covey, 2006). But listening also plays an important role in calming people and reducing stress by increasing their sense of status, relatedness and fairness (Rock, 2009), especially before the change initiative has been fully defined.

Communications during the Engage stage will make it clear why change is necessary, and should include what has been learned from engaging with stakeholders to invite even more input. Please note that the purpose of engagement is not to create buy-in. Most endings required in change programs are likely to be traumatic for up to 80% of the people impacted. During the Engage stage, listening will help leaders understand the endings that may be required so these can be explicitly considered in making program decisions and developing the business case. Only later, after mitigation strategies have been developed, is the challenge to help employees actually achieve the endings required, regardless of whether employees desire them or not.

II. Focus

Next comes the *Focus* stage. The function of the Focus stage is to set a transition in motion. It is useful to think of this stage as providing both a direction and guardrails for the change journey. Socializing a case for change can take several months and the input it stimulates will help in designing the change program itself. This design work will logically start with guiding principles and a project vision, but the business case needs to quickly follow. Why? Because the focus should be on the planned business outcomes and, to maintain trust, include what it will mean for individuals in terms of new behaviors and how any impacts will be mitigated. You’ve listened and gotten feedback, but if change leaders do not move quickly trust will collapse. People will still be stressed, not fully trusting and more likely to prepare strategies to resist any upsetting or puzzling elements, so change leaders need to be prepared to act fast to back up their words.

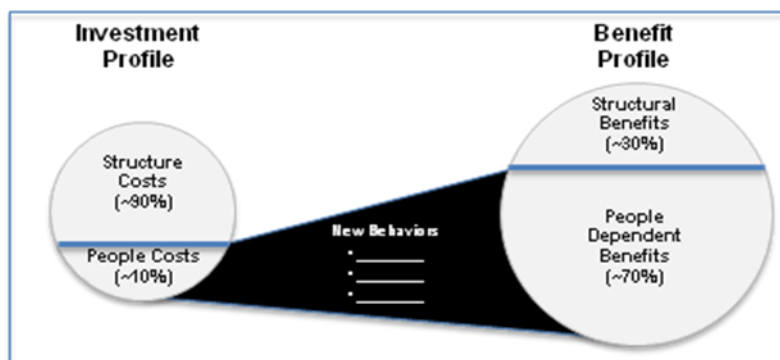


Figure 3. Change Vision Framework

Figure 3 presents a framework for developing a vision for change. This typically includes three basic components:

- First is the investment profile for the project that should include both the structural costs (i.e., the costs expected for designing, building and rolling out the change) and the people costs (i.e., for preparing people in the organization for change, including impact mitigation). This information will demonstrate the impact that listening has had on the project design and will help answer the question, “What will happen to me?” Please note that the 90/10 percent distribution of structure and people costs presented in Figure 3 is illustrative but may approach a split of 75/25 where significant complexity or training are involved and the cost of employee time is included.
- Next is the benefits profile to describe what the organization hopes to accomplish by the change. Critical here is to clarify that the project is worthwhile – i.e., that the benefits are greater than the costs. But it is also important to describe which benefits will require people to actually do things differently (i.e., through the use of new processes, applications, etc.). Please note that the structural and people dependent benefits can vary depending on the change though a 30/70 percent split is quite common.
- Finally, the behaviors or skills that are required to realize the people dependent benefits are noted. The specification of these will help line managers describe the new way of working the change envisions and clarify what will need to end (Bridges, 1991). Laying out what will need to *stop, start and continue* provides an excellent framework for this discussion.

In conducting a stop, start and continue discussion in the Focus stage it is important to listen for *competing commitments* the people who are expected to change may have (Kegan, 2001). Often people resist a change not because they do not like it so much as because they are simply trying to get their jobs done and the change (or more to the point, low mastery of the new way of working) is initially decreasing, not increasing, productivity. And supervisors are often complicit in this – i.e., if work is taking too long while the new way of working is still being mastered, supervisors may direct the employee to go back to the old way just to meet work group objectives regardless of change goals.

Developing a change scorecard is especially useful in the Focus stage. Ideally, performance metrics will have two attributes. First, the metrics should make performance expectations clear and unambiguous, and ideally in a way in which any competing commitments are invalidated. Second, any change goals associated with the scorecard metrics should be attainable only through the new way of working and never by retreating to the old ways.

Communications during the Focus stage should convey respect for the past but make it clear what the business case is and any competing organizational commitments no longer to be pursued. They should also recognize problems and validate pain points shared during the Engage stage, and make it clear how considering these have contributed to the design of the change. Finally, potential impacts on stakeholders should be acknowledged and any related mitigation described to answer the “What is in it for me?” question employees at all levels will have. This communications strategy will have the force of creating *transparency* (Covey, 2006) that will build trust while also reducing the stress otherwise created by competing commitments or ambiguous expectations.

III. Build

Finally we come to the architecture of the change itself. As should be clear at this point, the Engage and Focus stages deal primarily with preparing people and organization for change in an increasingly concrete and practical way. This simple approach starts with a dialogue to create a common understanding of root causes driving the need for change, and then a description of the behaviors or new ways of working that are required in order to be successful in the future. Each of these stages when approached properly will increase trust and control stress that in turn will accelerate the change process.

Unfortunately for many organizations, even if they get the Engage and Focus stages right, the Build stage can still be fouled up. This stage is susceptible to what has been referred to as “the fallacy of programmatic change” (Beer, et al., 1990) where the change program is owned by a corporate program office or Human Resources that attempts to implement the change by modifying the organization’s formal structures and systems (e.g., by creating a new pay-for-performance system, etc.). The challenge in the Build stage is to continue to Engage the business and create a learning environment that makes the Focus increasingly meaningful.

How is this accomplished? Best is to involve informal leaders across the layers of the organization in re-engineering processes and roles. Then involve both the formal and informal leaders in communicating the results, ideally by using demonstrations and other creative devices to make the work changes more concrete (and

entertaining). The Build stage is rendered complex only insofar as it takes the most time. Figure 4 depicts how the change process usually unfolds with the bulk of the time spent in preparing the organization for a change that often occurs over a relatively short period of time when the change is actually deployed; indeed, “It takes a long time to make change happen quickly” or so the saying goes.

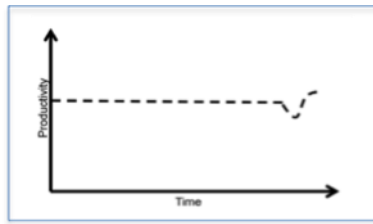


Figure 4. How Change Unfolds

Communications during the Build stage are critical to keep people informed of what is going on, including schedule adjustments, progress on the change goals and any early results or *bright spots* – i.e., early successful examples of new ways of working (Heath & Heath, 2010). To continue to build and maintain trust this requires change leaders *extend trust* (Covey, 2006) by engaging informal leaders and with one another. It is also important to engage middle managers especially in the changes being developed since they will ultimately be supervising employees responsible for mastering the new way of working. Middle managers will also have a critical role to play in controlling stress as the organization readies for deployment and attempts to master the change.

Of course, any kind of change might be stressful but the most destructive kind of stress occurs when workloads are excessive due to change program demands or initial lower levels of productivity (Sirkin, et. al., 2005). Supervisors have an important role in identifying such imbalances and in building confidence in the new ways of working. To best control workload stress it is useful to inventory the work and seasonal demands employees face. These demands are often wrapped up in the annual objectives and goals of middle managers and can easily become competing commitments if not adjusted for the change demands. Among the questions to consider: what are the peak vacation periods; is there a season when customer demands peak; when is the implementation of other changes planned; and, what management objectives or objective weightings need to be adjusted to explicitly link them to desired change outcomes? Likewise, if the change program includes communications, demonstrations, training sessions or other events, how much will these reduce productive capacity and require special program strategies (e.g., temporary staff to cover absences for training, etc.)?

In Summary & Further Research

The Change Made Simple Model is based on a number of key principles that collectively build trust and control stress. In the Engage stage effective change leaders share the case for change and then listen to understand stakeholder perspectives and issues or pain points. In the Focus stage change leaders share the business case but with special attention given to new behavioral expectations and competing commitments that may get in the way. Finally, in the Build stage informal leaders throughout the organization are engaged to create the new way of working while change leaders at all levels work to ensure sufficient time is available to prepare for and then master the new way of working. Communications are used throughout to create real transparency and engage managers in preparing their organizations for the changes ahead.

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