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Chapter 4 Building and Energizing the Need for Change

You never want a serious crisis to go to waste.

—Rahm Emanuel, President Obama’s Former Chief of Staff and the Mayor of Chicago¹

Chapter Overview

This chapter asks the question, “Why change?”

- It develops a framework for understanding the need for change based on making sense of external and internal organizational data, and the change leaders’ personal concerns and perspectives.
- The chapter describes what makes organizations ready for change and provides a questionnaire to rate an organization’s readiness.
- It outlines how change leaders can create awareness for change.
- Finally, the chapter outlines the importance of the change vision and how change leaders can create a meaningful vision that energizes and focuses action.

In [Chapter 2](#), we discussed the concept of unfreezing as a precondition to change. How can an organization and its people move to something new if their current mindset and response repertoire are not open to alternative paths and actions?



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You are in a large auditorium filled with people when suddenly you smell smoke and someone yells, "Fire!" You leap to your feet, exit the building, and call 911.

This situation above is straightforward. A crisis makes the **need for change** clear and dramatic. It demands an immediate response and the required action is understood—even more so if the institution has taken fire-safety planning seriously. Most people know the key actions: Where to exit? How to avoid panic? Who should be notified? Who should do the notifying?

However, in many situations, the need for change is vague and appropriate action is unclear. For example, even in an emergency, if there have been no "fires" for a considerable period but there have been false alarms, people may have become complacent, warning systems might be ignored or even have been deactivated due to improper maintenance, and emergency action plans forgotten. A parallel to this might explain the lack of action prior to the mortgage meltdown in the United States in 2007 and the contagion it caused in global financial markets. Some economists and financial experts had raised alarms as early as 2003² (including the FBI in 2004³) over flawed financial practices and regulations. However, their warnings about the need to regulate mortgage lenders were ignored. The prevailing perspective within the Bush administration was that regulations needed to be minimized because they got in the way of free markets and the generation of personal wealth. Before the meltdown, the need for change was evident to only a few people. In addition, powerful financial institutions and their executives had huge incentives to ignore such warnings and silence those in their own firms who were raising alarms. Self-interest, blind spots, and/or misguided views of the greater good can sometimes blind people to strengths, weaknesses, opportunities, and risks. It is a primary reason for the rise in the importance of risk management and the requirements around risk reporting that publically traded firms must comply with.⁴

Past experiences may cause people to become not only complacent but also cynical about warnings. If false alarms have been regular occurrences, people will come to ignore them. If employees are told that there is a crisis when similar alerts in the past have proven to be false alarms, they will tend to discount the warning. If people are busy and they don't want to be sidetracked, they won't prepare for events that they think aren't going to happen. Remember the press reports concerning the H1N1 flu pandemic in the summer and fall of 2009 and how they changed by the winter of 2010? In the fall, there was a sense of panic, with people lining up overnight to get inoculated. By February, journalists were writing that the World Health Organization (WHO) had overstated the threat, as they had with Bird Flu. As such reports multiply and become the fodder for watercooler and Internet conversations, will the public take WHO warnings as seriously next time?⁵ Concerns related to creating complacency may help to explain the careful way that WHO framed the warnings related to the outbreaks of Ebola in West Africa and the SARS-like virus in Saudi Arabia in 2013–2014.⁶

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When leaders are perceived to cry “wolf” too often, who will take them seriously when the threat comes to fruition? However, when risks manifest themselves into reality, the blaming always begins with whether or not warning signs were ignored. Such were the responses following both the Sandy Hook School Shooting, in Newtown, Connecticut, in December 2012, and the bombing at the Boston Marathon in April 2013. This, in turn, may lead us to treat symptoms rather than underlying causes, as we look for quick solutions and misinterpret correlations for causality. Even trained professionals can miss obvious cues, as in the story below.

A few years ago, my father was in intensive care, hooked to a heart monitor. Shortly after I arrived to visit him, the emergency alarm went off, but no one responded. I ran for help but was told not to worry—the alarm goes off all the time—just hit the reset button. The health care professionals had clearly adjusted their behavior to discount false alarms, but needless to say, I was left feeling anything but secure concerning the quality of the system designed to monitor the need for change in my dad’s treatment. What if it hadn’t been a false alarm? (G. Deszca)

Change agents need to demonstrate that the need for change is real and important. Only then will people unfreeze from past patterns. This is easier said than done. From 2008 through to the winter and spring of 2009, General Motors (GM) struggled to convince the United Auto Workers Union (UAW) that they needed significant financial concessions to survive. The UAW initially took the position that GM had signed a deal and should live up to it. However, the collapse of consumers’ demand for automobiles in the summer of 2008 led to fears of bankruptcy. Political pressure from the U.S. and Canadian governments on both GM and their employee unions in the United States (the UAW or United Auto Workers) and Canada (the CAW or Canadian Auto Workers) escalated in the wake of bailout requests. As a result of this pressure, the UAW abandoned its position that “We have done our share.” Concessions followed during the next nine months, covering everything from staffing levels, pay rates, and health care benefits to pensions.⁷ The CAW followed suit, shortly thereafter. When it comes to raising alarms concerning the need for change, it is sometimes tough to know when and how to get through to people. With GM, it took going to the edge of the precipice and beyond. They had to go bankrupt!

Many change-management programs fail because there is sustained confusion and disagreement over (a) why there is the need for change and (b) what needs changing. Ask organization members—from production workers to VPs—why their organization is not performing as well as it could and opinions abound and differ. Even well-informed opinions are often fragmentary and contradictory. Individuals’ perspectives on the need for change depend on their roles and levels in the organization, their environments, perceptions, performance measures and

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incentives, and the training and experience they have received. The reactions of peers, supervisors, and subordinates as well as an individual's own personality all influence how each person looks at the world. When there has been no well-thought-out effort to develop a shared awareness concerning the need for change, then piecemeal, disparate, and conflicting assessments of the situation are likely to pervade the organization.⁸

Look at the responses of different constituencies to the big issues of our day, and examples of the above proliferate. Take air quality. The adverse effects of poor air quality on public health are well documented. However, if you review the ongoing debate concerning the urgency of the problem and how we should go about addressing it, you will see various stakeholders with different vested interests and perspectives, marshal evidence to advance their point of view and protect their position. As a result, meaningful problem solving is delayed or sidetracked. Appropriate analyses, actions, and interventions are delayed, with predictable consequences, unless a disaster, very visible near disaster, or a seismic shift in public opinion occurs that galvanizes attention and precipitates action.

People often see change as something that others need to embrace and take the lead with. One hears: "Why don't they understand?" "Why can't they see what is happening?" or "They must be doing this intentionally." But stupidity, blindness, and maliciousness are typically not the primary reasons for inappropriate or insufficient organizational change. Differences in perspective affect what is seen and experienced. As the attributions of causation shift, so too do the beliefs about who or what is the cause of the problems and what should be done.⁹ A common phenomenon called responsibility diffusion often occurs around changes. Responsibility diffusion happens when multiple people are involved and everyone stands by, assuming someone else will act.¹⁰

In terms of the change-management process, the focus of this chapter is on the "Awakening" box contained in [Figure 4.1](#). To address this, change leaders need to determine the need for change and the degree of choice available to them and/or the organization about whether to change. Further, they need to develop the change vision and they need to engage others in these conversations so that a shared understanding develops. Without these in hand, they are in no position to engage others in conversations about the path forward.

This chapter asks change leaders, be they vice presidents, line operators, or volunteers at their local food bank, to seek out multiple perspectives as they examine the need for change. There is typically no shortage of things that could be done with available resources. What, then, gets the attention and commitment of time and money? What is the compelling reason for disrupting the status quo? Are there choices about changing and, if so, what are they? In many cases, it is not clear that change is needed. In these cases, the first step is for leaders to make a compelling case for why energy and resources need to be committed to a particular vision. Addressing these concerns advances the unfreezing process, focuses attention, and galvanizes support for further action.

But recognizing the need and mobilizing interest are not sufficient—a change leader also needs to communicate a clear sense of the desired result of the change.

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Change leaders do this by creating a compelling vision of the change and what life will look like after it is implemented. This approach to creating momentum is the focus of the latter half of this chapter.

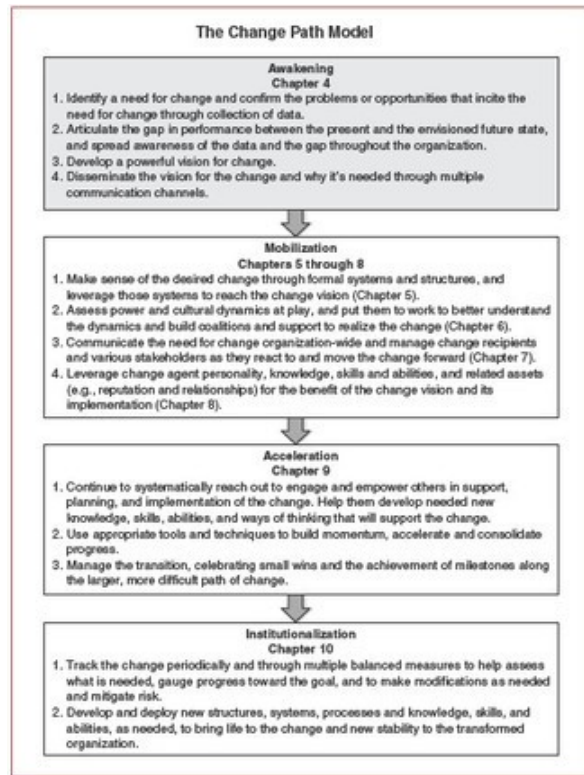


Figure 4.1 The Change-Management Process

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Understanding the Need for Change

The change process won't energize people until they begin to understand the need for change. People may have a general sense that things are amiss or that opportunities are being missed, but they will not mobilize their energies until the need is framed, understood, and believed. An organization may have amassed data on customers, production processes, suppliers, competitors, organization financials, and other factors, but nothing will happen until someone takes the information and communicates a compelling argument concerning the need for change. Advancing the change agenda is aided by being able to address the following questions:

The challenges at this stage for change leaders are to develop the information they need to assess the situation, develop their views on the need for change, understand how others see that need, and create awareness and legitimacy around the need for change when a shared awareness is lacking. To make headway on these questions and challenges, change leaders need to seek out and make sense of external data, the perspectives of stakeholders, the internal data, and their own personal concerns and perspectives. ([Figure 4.2](#) outlines these factors.)

Seek Out and Make Sense of External Data

Change leaders should scan the organization's external environment to gain knowledge about and assess the need for change. Getting outside one's personal

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perceptual box helps to avoid blind spots that are created by “closed-loop learning.”¹¹ Change agents may make incremental improvements and succeed in improving short-term results. However, change leaders may not be doing what is needed to assess the risks and opportunities and to adapt to the environment over the long term.¹² Executives tend to spend too little time reflecting on the external environment and its implications for their organizations.¹³

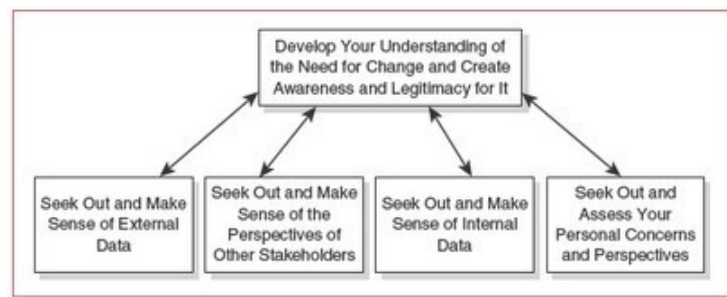


Figure 4.2 Developing Your Understanding of the Need for Change

An organization that is experiencing an externally driven crisis will feel the sense of urgency around the need for change. In this case, the change initiator’s task will be easier.¹⁴ This crisis can be used to mobilize the system and galvanize people’s attention and actions. Without this, many within the organization may not perceive a need for change even though the warning clouds or the unaddressed opportunities may be keeping the change leader awake at night.

The value of seeing organizations as open systems cannot be underestimated. This analytic approach and the learning it promotes play an important role in the development of awareness, improved vision, and flexibility and adaptability in the organization.¹⁵ Often the question becomes for the change leader: “Which external data do I attend to?” A change agent can drown in information without a disciplined approach for the collection, accumulation, and integration of data. Consider how complex the innocuous-sounding task of benchmarking can become.¹⁶ The absence of a disciplined approach to data gathering may mean that time is wasted, that potentially important data go uncollected or are forgotten, or the data are never translated into useful information for the organization.

Some sources for data will be concrete (trade papers, published research, and news reports), while others will be less tangible (comments collected informally from suppliers, customers, or vendors at trade shows). Data collection can take a variety of forms: setting aside time for reading, participating in trade shows and professional conferences, visiting vendors’ facilities, and/or attending executive education programs. Just as important, the change leader should consider engaging others in processes related to framing the questions, identifying and collecting data, and systematically interpreting the results in a timely fashion. This makes the task more manageable, increases the legitimacy of the data and the findings, builds awareness and understanding of the need for change, and creates a greater sense of ownership of the process.

Working without awareness of the external environment is the equivalent of driving blind. And yet it happens all the time. For a variety of reasons, ranging from a heavy workload or a sense of emergency, to complacency or arrogance, organizational leaders can be lulled into relying on past successes and strategies rather than investigating and questioning. In so doing, they risk failing to develop an organization’s capacity to adapt to a changing environment.¹⁷

Developing an Assessment of the Need for Change

1. **What do you see as the need for change and the important dimensions and issues that underpin it?** How much confidence do you have in your assessment and why should others have confidence in that assessment? Is the appraisal of the need for change a solid organizational and environmental assessment, or is it a response to your personal needs and beliefs?
2. **Have you investigated the perspectives of internal and external stakeholders?** Do you know who has a stake in the matter and do you understand their perspectives on the need for change? Have you talked only to like-minded individuals?
3. **Can the different perspectives be integrated in ways that offer the possibility for a collaborative solution?** How can you avoid a divisive “we/they” dispute?
4. **Have you developed and communicated the message concerning the need for change in ways that have the potential to move the organization to a higher state of readiness for and willingness to change?** Or have your deliberations left change recipients feeling pressured and coerced into doing something they don’t agree with, don’t understand, or fear will come back to haunt them?

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Seek Out and Make Sense of the Perspectives of Stakeholders

Change leaders need to be aware of the **perspectives of key internal and external stakeholders** and work to understand their perspectives, predispositions, and reasons for supporting or resisting change. This will inform and enrich a change agent's assessment of the need for change and the dynamics of the situation, and allow them to frame their approaches in ways that have a greater chance of generating needed support. Without such work, it is impossible to accurately assess perceptions of the situation and frame responses to questions that will resonate with those stakeholders—questions such as why change and what's in it for me?¹⁸

Externally, these stakeholders may include suppliers, bankers, governmental officials, customers, and alliance and network partners. Internally, the stakeholders will include those individuals who are directly and indirectly affected by the change. If the change involved a reorganization of production processes, the internal stakeholders would include production supervisors, employees, union officials, human resources (recruitment and training implications), finance (budget and control processes), sales and marketing (customer service implications), IT (information implications), and engineering managers.

The point of view of the person championing the need for change will likely differ from the perspectives of other stakeholders. What is interesting and important to those stakeholders will vary, and this will affect what data and people they pay attention to and what they do with the information. If the change leader hopes to enlist their support or at least minimize their resistance, the leader needs to capture and consider their perspectives and the underlying rationale.¹⁹ Particular stakeholders may still remain ambivalent or opposed to the change, but not seeking them out and listening is likely to make things worse. Why create resistance if you don't have to?

All of this highlights the importance of doing preparatory analysis and having a purposeful discussion, if possible, with affected stakeholders and those who understand their perspectives and can potentially influence them. It will increase the change leader's awareness and sensitivity to the context, inform and strengthen the analysis, and indicate blind spots and alternative explanations and paths.

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The change agents for the insurance firm did their homework when developing and communicating the need for change. They openly engaged stakeholders in dialogue, listened and responded with care and consideration, and then proceeded to the next stage in the change process. Too many executives underestimate the need for communication and the importance of it being two-way. There can never be too much top-level communication and support, but unfortunately, there is often far too little listening. A rule of thumb for managers is to talk up a change initiative at least three times more than you think is needed and listen at least four times as much as you think you should!²¹ One change leader states that messages need to be communicated 17 times before they get heard!²²

Change Vision at an Insurance Firm

When a North American insurance firm acquired one of its competitors, the senior manager in charge of integrating the acquisition was determined to have every employee understand the need for change, the new vision, and its implications. On the day the deal was announced, she made a live presentation (along with the CEO and other key officials) to employees at the head office of the acquisition and streamed the meeting live to all of the acquisition's branch offices and facilities, as well as into the parent organization. She honored the acquisition's senior management team, who were present, communicated the reasons for the acquisition and its implications for change, took questions, and encouraged employees to contact her with questions or concerns. She set up a special website and phone line to answer questions in a timely and direct manner and followed this with visits to all the offices, key customers, and suppliers over the next two months. She held two additional town-hall meetings with employees over the next year to communicate the status of integration activities and reduce anxiety.

An integration team from the acquiring firm was deployed to the acquired firm the day the deal was announced. After introducing themselves and their mandate, specific initiatives were commenced with staff to align key systems and processes and develop strategic and tactical plans. Leaders from the integration team visited key groups at all levels in the acquired organization to discuss the need for change, to discuss their current position in the marketplace, and to review how the roles and responsibilities were currently organized. Integration team members communicated what they knew, listened hard, and made firm commitments to get back with answers by specific dates. The integration team honored those commitments, including the communication of the new organization's strategic and tactical plans and clarification of each person's employment status, within 90 days of the acquisition. Like the senior manager responsible for the integration of the acquisition, the integration team communicated candidly, listened, and adjusted to assessments of the need for change and the strategic path forward, based upon what they learned. The team's approach tapped into the emotional needs of "acquired" employees, reducing their anxieties, instilling hope for the future, and illustrating that their views and concerns were heard. Employee surveys, low absentee and turnover rates, and performance data confirmed this.²⁰

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Seek Out and Make Sense of Internal Data

It is no surprise that change leaders need to pay careful attention to internal organizational data when developing their assessment of the need for a particular initiative. Change agents who command internal respect and credibility understand the fundamentals of what is going on within a firm. Change leaders need to know what can be inferred from internal information and measures, how these are currently being interpreted by organizational members, and how they may be leading the firm down the wrong path. Some of this will be in the form of so-called hard data—the sort that can be found in the formal information system and it is often numeric in nature (e.g., customer retention and satisfaction, service profitability, cycle time, and employee absenteeism). Other valuable information will be soft data, the intuitive information gathered from walking around the building and other work areas and having discussions with critical stakeholders. For example, do employees generally pick up litter such as candy wrappers, or is that task left exclusively to the janitorial staff? The former often indicates widespread pride and feelings of ownership in an organization.

Seek Out and Assess Your Personal Concerns and Perspectives

“Know thyself” is a critical dictum for change leaders. Change agents need a good understanding of their strengths and weaknesses, attitudes, values, beliefs, and motivations. They need to know how they take in information and how they interpret and make decisions. They need to recognize their preferences, prejudices, and blind spots. As change agents expand their self-awareness, they are freer to ask questions and seek help when they need it.²³

During the Cuban Missile Crisis, October 1962, Collins and Porras report that President Kennedy was incredibly comfortable with expressing what he did not know and asking many questions before passing judgments.²⁵ This led to informed decision making that may have saved the world from World War III. Many change leaders have difficulty publically owning the fact that they do not have all the answers and demonstrating a real interest in listening and learning. They likely have noticed that someone who communicates more confidence in their judgment tends to be responded to more positively than a person who is more cautious—particularly if the audience is predisposed to that point of view. However, behavioral economists have found that this can lead to serious errors of judgment. For example, those individuals in the media who are most self-assured in their judgment are significantly less accurate than those who are more nuanced in their assessments. We may love their bravado and certainty, which helps explain their frequent appearances on TV, but beware of putting too much trust in their conclusions!²⁶ In 2002–2003 Vice President Dick Cheney’s confidence in Saddam Hussein and Iraq’s possession of weapons of mass destruction was absolute, and yet, U.S. forces found very few.

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Reputations for skill, judgment, and success develop over time, and this development is aided by a greater willingness to look, listen, and learn before committing to a course of action. As Daniel Kahneman and his colleagues have noted, dangerous biases creep into important decision making and these need to be guarded against. Taking steps that keep you open to learning and rigorously testing your assumptions and biases can help you avoid decision traps and greatly benefit the quality of the final choice.²⁷ These actions reinforce the value of looking before you leap in others. They build trust in your judgment, knowing that you've done your homework and considered the situation and options seriously, and show others that a little humility in one's judgment never hurts.²⁸

Whenever we, the authors, work with groups of university students, or managers and executives who are attempting organizational change, we caution them not to assume that their perspectives are held by all. They often fail to understand the impact of their own biases, perspectives, and needs and how they differ from those of others involved in a change initiative. They believe that they understand the situation and know what must change; this attitude can create significant barriers to accomplishing the change objectives. The strength of their concerns combined with their lack of self-awareness creates blind spots and causes them to block out dissenting perspectives. When they talk to stakeholders, they may receive polite responses and assume that this implies a commitment to action. Statements such as "That's an interesting assessment" are taken as support rather than as neutral comments. Their inability to read subtle cues or misinterpret legitimate concerns as resistance, rather than thoughtful feedback, leads them astray.

In an extreme attempt to protect himself and his followers from his personal shortcomings and cult-like reputation, Nehru, one of the founding fathers of modern, independent India, used an alias when he wrote the following about himself in a prominent publication in 1937. The backdrop was the struggle for independence from Britain, which was achieved 11 years later.

Nehru's deep commitment to India's independence did not blind him to how his own ego and the burgeoning hero worship that he was experiencing might impair the goal of a democratic India that would need an electorate that exercised thoughtful discourse and informed decision making. As such, he publicly noted the trend toward hero worship and its intoxicating impact on himself and his followers.

This section asks change leaders to consider their readiness for leading a change initiative and the roles that they will play in the process. It asks change agents to assess their skills, abilities, and predispositions to assess and guide the change. In [Chapter 8](#), change agents will again be asked to look in a mirror and assess their predispositions toward various change agent roles. See **Toolkit Exercise 4.2** to understand and diagnose a need for change.

"I think it's a combination of how self-aware people are and how honest they are. I think if someone is self-aware, then they can always continue to grow. If they're not self-aware, I think it's harder for them to evolve or adapt beyond who they already are."

Tony Hsieh, CEO, Zappos.com, Inc.²⁴

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New Leadership at Microsoft

With the selection of Satya Nadella as its CEO in February 2014, Microsoft is signalling a departure from the loudness of Steve Ballmer and a return to someone much more like Bill Gates in his skill sets and approach to management. Nadella is reported to be very competent technically and managerially, and to have demonstrated this over the years at Microsoft, as he has successfully led significant change initiatives, most recently at the Cloud and Enterprise group. People report that he has done so by asking questions, listening, and engaging and energizing participants in ways that allow them to get out of their comfort zone and succeed. Those who have worked with him say he is honest, inclusive, authentic, and caring—generating success by thoughtfully nurturing the involvement and commitment of those around him.²⁹

What lies behind that mask of his, what desires, what will to power, what insatiate longings? Men like (Nehru) with all their capacity for great work, are unsafe in democracy... every psychologist knows that the mind is ultimately a slave to the heart and logic can always be made to fit in with the desires and irrepressible urges of a person... (Nehru's) conceit is already formidable. It must be checked. We want no Caesars.³⁰

—Nehru writing in the press about himself, using an alias

Assessing the Readiness for Change

Understanding the need for change and creating a vision for change are closely linked. Diagnosing where an organization is in the present moment is a prerequisite for figuring out its future direction. Beckhard and Harris³¹ argue that addressing the question “Why change?” is a necessary precondition to being able to define the desired future state or the vision. If the question of “Why change?” is never meaningfully addressed, no one should expect the emergence of any sense of a shared vision. The answer to “Why?” is a prerequisite to the “What?” and the “How?” of change.

While dissatisfaction with the status quo by senior managers is certainly very helpful in advancing change, it is unlikely to be a *sufficient* condition. Spector³² argues that the creation of dissatisfaction among others is needed. This dissatisfaction can be developed by sharing competitive information, benchmarking the organization's performance against others, challenging inappropriate behaviors

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through highlighting their impact, developing a vision for the future that creates frustration with the present state, and simply mandating dissatisfaction if one has the clout. Being dissatisfied with the status quo helps to ready the organization for change. That readiness depends on previous organizational experiences, managerial support, the organization's openness to change, its exposure to disquieting information about the status quo, and the systems promoting or blocking change in the organization.

Change initiators may understand the need for change, but other key stakeholders may not be prepared to recognize that need or believe it is strong enough to warrant action. Newspaper accounts of the failure to react in time are all too common (e.g., Chrysler in the auto industry,³³ Target (Canada) and Kmart in retailing,³⁴ Yahoo and BlackBerry in the digital world³⁵). Though a litany of reasons are offered in the press, two common themes emerge: (1) Management failed to attend to the warning clouds or the opportunities that were clearly visible, often well in advance; and (2) when management took actions, they did too little too late. Past patterns of success can lead to active inertia (doing more of the same), flawed environmental scanning and assessments, and other factors that will be discussed later in the chapter that sabotage organizational members' capacity to successfully adapt.³⁶

Organizational readiness for change is determined by the previous change experiences of its members; the flexibility and adaptability of the organizational culture; the openness, commitment, and involvement of leadership in preparing the organization for change; and member confidence in the leadership. It is also influenced by the organizational structure, the information members have access to, reward and measurement systems, resource availability, and the organization's flexibility and alignment with the proposed change.³⁷ This theme goes back to [Chapter 3](#)'s discussion of Nadler and Tushman's Congruence Model and the importance of alignment. Readiness is advanced when organizational members can see how the existing alignment is getting in the way of producing better outcomes and believe that the needed realignment can be achieved. An organization's readiness for change will influence its ability to both attend to environmental signals for change and listen to internal voices saying that change is needed.³⁸

Previous experiences affect **individual readiness for change**. If organizational members have experienced more gain than pain from past change initiatives, they will be more predisposed to try something new. However, there is also the risk that they may resist changes that divert them from initiatives that have worked in the past.

If previous change experiences have been predominantly negative and unproductive, employees tend to become disillusioned and cynical ("we tried and it didn't work" attitude).³⁹ However, under the right conditions, this situation may produce increased resolve concerning the need for change. (Reactions to past change experiences will be discussed further in [Chapter 7](#).)

Writers regularly report that the development and maintenance of top management's support is crucial to change success.⁴⁰ If senior managers are visibly supporting the initiative, are respected, and define and tie their success to the change initiative, then the organization is likely to be receptive to change. However, it is not unusual to find differences of opinion concerning change at the senior management

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level, so a lack of initial support is a reality that many change leaders must navigate. The beginning of any change journey can feel quite lonely, because though you and a few others have become convinced of the need for change, others may have quite different opinions about the need or not yet have given the matter much thought. This includes senior management. Perhaps more troubling situations than the lack of visible support occur when senior management assures change agents of support but fails to provide it at crucial moments because it isn't one of their priorities or they choose to engage in passive forms of resistance.

Organizations that have well-developed external scanning mechanisms are likely to be aware of environmental changes. Cultures and systems that encourage the collection and objective interpretation of relevant environmental, competitive, and benchmark data tend to be more open to change and provide members of the organization with the information they need to provoke their thinking concerning the need for change.⁴¹ If the culture supports environmental scanning and encourages a focus on identifying and resolving problems rather than "turf protection," organizations will be more open to change.

Holt was concerned about an organization's readiness for change and developed a scale based on four beliefs among employees: They could implement a change, the change is appropriate for the organization, leaders are committed, and the proposed change is needed.⁴³ Judge and Douglas were also interested in calibrating an organization's readiness for change and utilized a rigorous approach to identify **eight dimensions related to readiness**:

1. Trustworthy leadership—the ability of senior leaders to earn the trust of others and credibly show others how to meet their collective goals
2. Trusting followers—the ability of nonexecutives to constructively dissent or willingly follow the new path
3. Capable champions—the ability of the organization to attract and retain capable champions
4. Involved middle management—the ability of middle managers to effectively link senior managers with the rest of the organization
5. Innovative culture—the ability of the organization to establish norms of innovation and encourage innovative activity
6. Accountable culture—the ability of the organization to carefully steward resources and successfully meet predetermined deadlines
7. Effective communications—the ability of the organization to effectively communicate vertically, horizontally, and with customers
8. Systems thinking—the ability of the organization to focus on root causes and recognize interdependencies within and outside the organization's boundaries.⁴⁴

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[Table 4.1](#) contains a readiness-for-change questionnaire. It reflects the questions and issues raised in this section and provides another method for helping change leaders assess an organization's readiness for change.⁴⁵ By considering what is promoting and inhibiting change readiness, change agents can take action to enhance readiness—a change task in and of itself. For example, if rewards for innovation and change are seen to be lacking, or if employees believe they lack the needed skills, steps can be taken to address such matters. When considering rewards, remember these include intrinsic as well as extrinsic rewards. The impact of rewards on judgment and behavior needs to be considered carefully, because it can be complicated. For example, excessive rewards for success or excess punishment for failure are more likely to produce unethical behavior.⁴⁶ Alternatively, intrinsic rewards and moderate levels of equitable extrinsic rewards that are nested in teams can heighten information sharing, motivation, and commitment.⁴⁷ More will be said about this in later chapters. Change readiness must be consciously developed, aligned with supportive systems and structures, and then put to use as a source of competitive advantage. Developing change readiness is an important matter in both public and private organizations.⁴⁸

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Table 4.1 Rate the Organization's Readiness for Change

Readiness Dimensions	Readiness Score
Previous Change Experiences	
1. Has the organization had generally positive experiences with change?	If yes, Score +1
2. Has the organization had recent failure experiences with change?	Score -1
3. What is the mood of the organization: upbeat and positive?	Score +1
4. What is the mood of the organization: negative and cynical?	Score -2
5. Does the organization appear to be resting on its laurels?	Score -1
Executive Support	
6. Are senior managers directly involved in sponsoring the change?	Score +2
7. Is there a clear picture of the future?	Score +1
8. Is executive success dependent on the change occurring?	Score +1
9. Has management ever demonstrated a lack of support?	Score -1
Credible Leadership and Change Champions	
10. Are senior leaders in the organization trusted?	Score +1
11. Are senior leaders able to credibly show others how to achieve their collective goals?	Score +1
12. Is the organization able to attract and retain capable and respected change champions?	Score +2
13. Are middle managers able to effectively link senior managers with the rest of the organization?	Score +1
14. Are senior leaders likely to view the proposed change as generally appropriate for the organization?	Score +2
15. Will the proposed change be viewed as needed by the senior leaders?	Score +2
Openness to Change	
16. Does the organization have scanning mechanisms to monitor the environment?	Score +1
17. Is there a culture of scanning and paying attention to those scans?	Score +1

Readiness Dimensions	Readiness Score
18. Does the organization have the ability to focus on root causes and recognize interdependencies both inside and outside the organization's boundaries?	Score +1
19. Does "turf" protection exist in the organization?	Score –1
20. Are the senior managers hidebound or locked into the use of past strategies, approaches, and solutions?	Score –1
21. Are employees able to constructively voice their concerns or support?	Score +1
22. Is conflict dealt with openly, with a focus on resolution?	Score +1
23. Is conflict suppressed and smoothed over?	Score –1
24. Does the organization have a culture that is innovative and encourages innovative activities?	Score +1
25. Does the organization have communications channels that work effectively in all directions?	Score +1
26. Will the proposed change be viewed as generally appropriate for the organization by those not in senior leadership roles?	Score +2
27. Will the proposed change be viewed as needed by those not in senior leadership roles?	Score +2
28. Do those who will be affected believe they have the energy needed to undertake the change?	Score +2
29. Do those who will be affected believe there will be access to sufficient resources to support the change?	Score +2
Rewards for Change	
30. Does the reward system value innovation and change?	Score +1
31. Does the reward system focus exclusively on short-term results?	Score –1
32. Are people censured for attempting change and failing?	Score –1
Measures for Change and Accountability	
33. Are there good measures available for assessing the need for change and tracking progress?	Score +1
34. Does the organization attend to the data that it collects?	Score +1
35. Does the organization measure and evaluate customer satisfaction?	Score +1
36. Is the organization able to carefully steward resources and successfully meet predetermined deadlines?	Score +1
The scores can range from –10 to +35.	
The purpose of this tool is to raise awareness concerning readiness for change and is not meant to be used as a research tool.	
If the organization scores below 10, it is not likely ready for change and change will be very difficult.	

Readiness Dimensions	Readiness Score
The higher the score, the more ready the organization is for change. Use the scores to focus your attention on areas that need strengthening in order to improve readiness.	
Change is never “simple,” but when organizational factors supportive of change are in place, the task of the change agent is manageable.	

Source: Adapted from Stewart “Rate Your Readiness to Change” scale, *Fortune*, Feb 7, 1994, p 106–110, Holt, D. “Readiness for Change: The Development of a Scale”, *Organization Development Abstracts*, Academy of Management Proceedings, 2002, and Judge, W., & T. Douglas, “Organizational Change Capacity: the Systematic Development of a Scale,” *Journal of Organizational Change Management*, Vol.22, #6, 2009, 635–649.

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Heightening Awareness of the Need for Change

When an organization is open to change, thinking individuals will still want to critically assess the evidence concerning the need for change. The change leader may experience blanket resistance and defensiveness, or may experience more localized opposition. Individuals may recognize the need for change in some departments and functions but be resistant to recognizing the need for change as it gets closer to home. If they see only the unraveling of what they've worked to accomplish and/or unpleasant alternatives ahead for them, they will be very reluctant to embrace change proposals. Even when the need for change is broadly recognized, action does not necessarily follow.

In the story above, the need for change seems obvious. However, the politicians of the city and other levels of government were reluctant to take the difficult steps needed to deal with the problems. Clearly, Naples and her citizens were not yet prepared to undertake the type of change needed.

Once change leaders understand the need for change, they can take different approaches to heighten the awareness of the need throughout the organization. Change leaders can:

1. Make the organization aware that it is in or near a crisis or creating a crisis that needs to be solved.
2. Identify a transformational vision based on higher-order values.
3. Find a transformational leader to champion the change.
4. Take the time to identify common or shared goals and work out ways to achieve them.
5. Use information and education to raise awareness of the need for change.

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The first method is a form of shock treatment and involves either *making the organization aware that it is in or near a crisis or creating a crisis that needs to be solved*. Many of the dramatic turnaround stories that are reported are successful because the actions of people were galvanized and focused by the necessity for action. In the face of crisis, people find it difficult to deny the need to change and to change *now*. When the crisis is real, the issue will be one of showing others a way out that they will follow if they have any confidence in its viability, given that the alternatives are far from attractive.⁵¹

At times, managers will be tempted to generate a crisis, to create a sense of urgency to change and mobilize staff around a change initiative that may or may not be fully justified. Creating a sense of crisis when one does not really exist must be approached with care.⁵² If mishandled, it may be viewed as manipulative and result in heightened cynicism and reduced commitment. The change leader's personal credibility and trustworthiness are then at stake. The reputation developed in and around change initiatives casts a long shadow, for better or worse. The currencies that change agents use are credibility and trustworthiness. These take a long time to develop and can be quickly squandered.⁵³

An extension of the crisis is the “burn or sink your boats approach.” In this case, the change leader takes the process one step further and cuts off any avenue of retreat. That is, there is no going back. This approach is based on the belief that this will lead to increased commitment to the selected course of action. While it may aid in focusing attention, this approach can increase many of the risks outlined above. In particular, individuals may resent being forced into a situation against their will. It may produce compliant and even energized behavior in the short term due to the absence of alternatives, but it can give rise to undesirable long-term consequences if the actions come to be viewed as being inappropriate or unfair. Consequences can include elevated levels of mistrust, reduced commitment, and poor performance.⁵⁴

In the wake of Hurricane Sandy, the transit system was underwater in many areas, infrastructure had been destroyed, and virtually nothing was running. The crisis faced by Joseph Leader, the subway's chief maintenance officer, and all the other executives and staff, was both real and devastating. They knew tough decisions were needed around the alignment and coordination of resources, and that a huge amount of work would be required to get the city's transit system operational. A competent and highly motivated staff, combined with the powerful shared goal of getting the trains moving, allowed them to mobilize, sort out what needed to be done, and act—even in the absence of protocols.

Urgency is straightforward when there is an event such as Sandy. However, it can prove more difficult when it evolves more slowly, such as deteriorating market conditions, or in the case of not-for-profits such as government agencies, deteriorating service standards or relevance to the public. With the right use of data and influence approaches, people can be woken up. Creating a sense of social/political urgency through advocacy approaches has proven powerful in the public square, as seen in the Arab Spring in Tunisia and Egypt during 2010–2012 and pressure for change in the Department of Veterans Affairs in the United States.⁵⁶ Likewise, approaches that disrupt existing perspectives, challenge past learning, and hasten the adoption of new perspectives through creating a sense of urgency have been shown to help new product development teams get out of ruts and become more effective, though they do have to guard against information and knowledge loss in the process.⁵⁷

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A second approach to enhancing people's awareness of the need for change is by *identifying a transformational vision based on higher-order values*, such as the delivery of superb service and responsiveness. Transformational visions tap into the need for individuals to go beyond themselves, to make a contribution, to do something worthwhile and meaningful, and to serve a cause greater than themselves. These appeals can provide powerful mechanisms to unfreeze an organization and create conditions for change. In addition, transformational visions pull people toward an idealized future and a positive approach to needed change.

Cynics in an organization may reject these vision appeals for several reasons. They may see them as superficial, naive, ill-advised, off-target, or designed simply to serve the interests of those making the pronouncements. If organizational members have previously heard visionary pronouncements, only to see them ignored or discarded, they may believe the most recent iteration is simply the current “flavor of the week” approach to change.

Change agents need to ask themselves if they are really serious about following through on the values and action orientation that underlie their visionary appeals. If they are not, then they should stop rather than contribute to the build-up of organizational cynicism and alienation that accompanies unmet expectations. Nevertheless, the power of truly transformational visions should not be underestimated. How else do we understand the response to the visionary perspectives provided by change leaders such as Mahatma Ghandi and Nelson Mandela?

A third approach to enhancing the need for change is through *transformational leadership*. Leadership in general and transformational leadership in particular continue to command attention in the change literature—not surprising, given its stature in Western culture and mythology.⁵⁸ From George Washington to Adolf Hitler, from Nelson Mandela and Mother Teresa to Saddam Hussein, we've elevated the heroes and condemned the villains.

The same is true for the corporate world. Steve Jobs's resuscitation of Apple, Mukesh Ambani's leadership at Reliance (one of India's most valuable companies), Anne Mulcahy's transformation of Xerox, Thomas Tighe's work at Direct Relief International (a not-for-profit organization), Oprah Winfrey's growth of a media empire, Richard Branson's entrepreneurial initiatives at Virgin, and Elton Musk's development of PayPal, SpaceX (private sector rocket firm that delivers supplies to the space station), and the Tesla automobile... they all provide examples of the work of successful transformational leaders. The appeal of charismatic and transformational individuals is powerful. In addition to effectively framing the change vision as noted above, they have the capacity to create strong, positive personal connectedness and a willingness to change in followers that often overrides the followers' personal concerns. However, corporate scandals (e.g., Bernie Ebbers of WorldCom, Bernie Madoff of Madoff Investment Securities, Angelo Mozilo of Countrywide Financial, and Lance Armstrong and the Livestrong Foundation) remind people of the risks of idolizing transformational exemplars. Even GE's Jack Welch's image took a beating with published reports of his divorce battles and the size and nature of his retirement package.⁵⁹

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Caution is needed if you are relying on charisma to induce followers to change an organization. In an example cited earlier in this chapter, Nehru's concern over the impact of his charisma caused him to take public steps to rein it in. If the use of charisma is thought to be helpful, certain questions come to mind. First of all, do you have the necessary skills? Many people lack the capacities needed to create a charismatic response in others, and they may also lack access to someone who supports the change and possesses those skills. More important, is this the best approach to mobilizing people around a vision of change? Charismatic appeals can prove powerful and helpful (Barack Obama's successful 2008 and 2012 presidential campaigns attest to this), but there are good reasons for people to be suspicious of charismatic appeals because history demonstrates that personal magnetism is not always directed toward desirable outcomes.

It is important to note that many leaders are very effective change agents without being particularly charismatic. Some of those who have proven to be most influential in nurturing long-term organizational success have been much quieter in their approach.⁶⁰ Such a list would include Meg Whitman, CEO of HP; Satya Nadella, CEO of Microsoft; Warren Buffett of Berkshire Hathaway; Michael Latimer, president and CEO of OMERS, a large Canadian pension fund; Ursula Burns, CEO of Xerox; and Ellen Kullman, CEO of DuPont.

A fourth way of stimulating awareness of a need for change is by *taking the time to identify common or shared goals and working out ways to achieve them*. Finding common areas of agreement is a very useful way to avoid and/or surmount resistance to change. Instead of focusing on what might be lost, an examination of the risks of not taking action and what will be gained by taking action can create momentum for change. This is often achieved by having people seriously consider their longer-term interests (rather than their immediate positions) and the higher-order and longer-term goals that they would like to see pursued. If the change leader can focus on the needs of resisting individuals or groups, new and interesting perspectives on change can emerge. Shared interest in and commitment to higher-order or superordinate goals can provide a powerful stimulus for commitment and mobilization.

Fifth, *information and education can be used* to raise awareness of the need for change. In many respects, this is the inverse of the "sink your boats" command-and-control approach to change, because it seeks to build awareness and support through information rather than edict. Reluctance to change may be a result of lack of information or confusion about multiple and sometimes conflicting sources of information. This can be overcome with a well-organized communications campaign that provides employees with the needed information (e.g., best practices, benchmark data about the practices and approaches of others, visits with others to see and hear about their practices, competitive data, and other research).⁶¹ Research on effective organizations can provide a compare-and-contrast picture to an organization's current mode of operation and that process can stimulate discussion and facilitate change.

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Once again, the change agent's credibility is crucial. If employees are suspicious of the motives of the change agent, the accuracy of the information, or there has been a history of difficult relationships, then the information will be examined with serious reservations. When employees come to accept the information and related analyses, the ground is fertile for the development of a shared sense of the need and the vision for change.

Readying an Organization for Change

Armenakis and his colleagues⁴² identified factors for **readying an organization for change**.

Their list includes:

1. The need for change is identified in terms of the gap between the current state and the desired state.
2. People believe that the proposed change is the right change to make.
3. The confidence of organizational members has been bolstered so that they believe they can accomplish the change.
4. The change has the support of key individuals the organizational members look to.
5. The "what's in it for me/us" question has been addressed.

From Bad to Worse: Garbage Services in Naples, Italy

Naples, Italy, has lived with a garbage problem for years. Poor management, organized crime, and ineffective political leadership allowed the matter to fester and escalate. In 2008, worldwide coverage of the problem drew attention and political promises for action, as 55,000 tons of uncollected garbage filled city streets, and 110,000 to 120,000 tons awaited treatment in municipal storage sites. Though the streets are now cleaner, resolution has been slow and suspect. Untold tons of irresponsibly (some would argue criminally) handled waste continue to reside in illegal landfills that dot the countryside, or they have been shipped elsewhere for questionable "disposal." The results have fouled the environment, endangered health, seriously harmed Naples' economy, and required deployment of the army in 2008 and 2011 to deal with uncollected garbage.⁴⁹ In November 2013, the legacy created by decades of mismanagement and corruption erupted very publicly yet again—this time in the form of burning trash heaps on the outskirts of Naples that were producing toxic fumes and threatening water quality and food safety in the region.⁵⁰

Creating Urgency at New York City's Metropolitan Transit Authority (MTA)

In October 2012, Hurricane Sandy left huge challenges for NYC's MTA. MTA used the sense of urgency to motivate staff to think in creative ways to get the most essential job done. The priority was to get the city connected and moving after the storm. Despite there being no emergency handbook for this kind of situation, the MTA was able to get partial service up within days and full lines running within a week.⁵⁵

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Educating Programmers at GTECH

GTECH was an extremely successful gaming technology and services company, but in 2002 Richard Koppel, VP of Advanced Technologies, knew change was needed. “Our systems were old, inflexible, and highly proprietary... Unless the company overhauled its technology platform, we wouldn’t be able to innovate quickly or affordably enough to meet customers’ needs.” The executives at GTECH supported him, but there was stiff resistance from below. To create a sense of urgency, he and other executives repeatedly communicated and visited with the product developers to educate them about what was at risk. Discussions during regular staff meetings, dissemination of articles, and having GTECH’s software developers talk about the issue with peers in other high-tech organizations further reinforced the message concerning the need for change.⁶² Resistance was reduced as a result of these actions, and the subsequent changes contributed to significant improvements to their financial performance over the next several years.

Factors That Block People From Recognizing the Need for Change

Giving voice to the need for change can create awareness in employees. However, future directions are not always obvious and an organization’s history and culture can be strong impediments to creating awareness of the need for change. It took Hewlett-Packard a number of years of poor performance, problematic acquisitions, and related stumbles under different CEOs (most notably Carly Fiorina) until they recognized that cobbling in poorly fitting acquisitions to boost market share, and focusing primarily upon efficiency and cost reduction by playing with structures and product/service portfolios, would not reverse the fortunes of their business. Meg Whitman, the retired CEO of eBay, stepped into this very difficult situation and has led the revitalization of storied HP by valuing its roots, leading the conversation around the need for change, working to create a sense of urgency and hope, and taking actions to remove some of the obstacles in the way.

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All too often, strategists will introduce a new direction and seek to change the organizational culture without attending to the question of the impact of cultural artifacts on the desired change.⁶⁴ Cultural artifacts are the stories, rituals, and symbols that influence employees' attitudes and beliefs; they are important because they help to define and give life to the culture. If change agents continue to tie themselves to those artifacts, they may reinforce the old culture they wish to change. However, being dismissive of the past can also be problematic because it may send signals that things done in the past are no longer valued. The challenge is: how do you value the past and its positive attributes without trapping yourself in the past? In 1994, Bethune and Brenneman faced this challenge when they tackled the turnaround of Continental Airlines, taking the firm from near bankruptcy and the worst customer service ratings in the industry to success on all fronts over the next decade.⁶⁵ One of the major reasons that they were successful in implementing a turnaround was their introduction of new cultural artifacts that reinforced service as a key value rather than staying anchored to those artifacts that signaled poor service.

Both the Continental and HP examples show that the existing culture can impair organizational members' capacity to either recognize the urgency of the need for change, or believe that there is the organizational will to constructively respond. Even if organizational members recognize the need, culture can impede their ability to take appropriate actions until things occur that weaken the existing beliefs and open the way to new thinking about the organization, the current situation, and its leadership. When this occurred at Continental and HP, the door was opened to meaningful change. Actions that created reasons for hope and reinforced the development and strengthening of new cultural beliefs ensured that the organization would continue its journey in a positive direction and wouldn't regress to old patterns.

Culture can get in the way of recognizing the need for change in poorly performing firms. However, it can represent an even more difficult barrier in successful firms. Consider Unilever, which had great brands and a long history in emerging markets and yet was falling behind competitors in those same markets. They knew they needed to change something but were mentally locked into the business practices that had become sources of disadvantage.⁶⁸ In 2004, they finally recognized the sources of the problem and by 2006 were reaping the benefits in terms of renewed growth and profitability. Unilever's performance was adversely affected by the 2008 recession, along with all their major competitors, but their renewed competitive capacities facilitated their recovery by 2010 and led to all-time share price highs in 2014.⁶⁹

Sull argues that organizations trapped in their past successes often exhibit lots of activity (this was true for Unilever), but the outcome is "active inertia," because they remain essentially unchanged.⁷⁰ Even when organizations recognize that they need to change, they fail to take appropriate actions. He believes this occurs because:

- **Strategic frames**, those mental models or sets of assumptions of how the world works, become blinders to the changes that have occurred in the environment;
- Processes harden into routines and habits, becoming ends in themselves rather than means to an end;
- Relationships with employees, customers, suppliers, distributors, and shareholders become shackles that limit the degrees of freedom available to respond to the changed environment; and
- Values, those deeply held beliefs that determine corporate culture, harden into dogma, and questioning them is seen as heresy.

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During periods of financial difficulty or decline, senior management teams may become polarized in their positions, isolate themselves from data they need, and incorrectly assess the need for change. Senior management teams may prevent critical information from surfacing as they self-censor, avoid conflict, and/or are unwilling to solicit independent assessments as they attempt to preserve cohesion and commitment to a course of action.⁷¹ These are conditions that lead to groupthink[†] and can result in disastrous decisions that flow from the flawed analysis.⁷² Change agents need to be vigilant and take action to ensure that groupthink does not cloud a team's capacity to assess the need for change or impair the judgment of the teams with which they are working. If change agents are dealing with a cohesive team exhibiting the characteristics of groupthink, the agents need to take action with care, considering how to make the group aware of factors that may be clouding the group's judgment. Change agents who attempt to alert such teams to these realities are often dealt with harshly, since "shooting the messenger" is a speedy way for teams to protect themselves from difficult data. Strategies for avoiding groupthink include:

- Have the leader play an impartial role, soliciting information and input before expressing an opinion.
- Actively seek dissenting views. Have group members play the role of devil's advocate, challenging the majority's opinion.
- Actively pursue the discussion and analysis of the costs, benefits, and risks of diverse alternatives.
- Establish a methodical decision-making process at the beginning.
- Ensure an open climate for discussion and decision making, and solicit input from informed outsiders and experts.
- Allow time for reflection and do not mistake silence for consent.⁷³

Additional factors that obstruct managerial judgment over the need for change and the inability to develop constructive visions for future action have been highlighted in both the business and academic press. Ram Charan and Jerry Useem summarize such factors in their 2002 *Fortune* magazine article on the role executives play in organizational failure:

- They have been softened by past success.
- They see no problems or at least none that warrant serious change (internal and external blindness).
- They fear the CEO and his or her biases more than competitors.
- They overdose on risk and play too close to the edge. This is often tied to systems that reward excessive risk taking.
- Their acquisition lust clouds their judgment.
- They listen to Wall Street more than to employees and others who have valuable insights they should attend to.
- They employ the "strategy du jour"—the quick-fix flavor of the day.
- They possess a dangerous corporate culture—one that invites high-risk actions.
- They find themselves locked in a new economy death spiral—one that is sustained and accelerating.
- They have a dysfunctional board that fails in its duties around governance.⁷⁴

Developing a well-grounded awareness of the need for change is a critical first step for change leaders when helping organizations overcome inertia, rein in high-risk propensities, address internal and external blind spots, disrupt patterns of groupthink, and view their environment in ways that open organizational members to change.

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So far, this chapter has outlined the variety of perspectives that will exist regarding the need for change. It emphasizes that the perspective of the change leader may not be held by others and that often change leaders need to develop or strengthen the need for change before trying to make specific changes. One of the ways to enhance the perceived need for change and begin to create focused momentum for action is to develop a clear and compelling change vision.

Reversing the Death Spiral at Hewlett-Packard

Hewlett-Packard had demonstrated commitment over the years to the belief that long-term success was grounded in the “HP Way”—a cultural perspective that celebrated technical expertise, flexibility, and innovation; placed high value on their collegial, teamwork-based environment; saw employees as their most important resource; and had a strong customer orientation and commitment to act with integrity at all times. However in 1999, following a period of lackluster performance, HP hired Carly Fiorina as their CEO. Fiorina’s top-down leadership style put results as the number one priority and arguably devalued employees. Her autocratic and aggressive style left her workforce demoralized. The ill- conceived merger with Compaq and a number of other major actions such as the restructuring of the enterprise into a much more hierarchical one, generated sustained, deepening disappointment on the performance front.

It could be argued that Fiorina suffered from tunnel vision concerning how to act on the need for change and manage the path forward. This blocked her from realizing how to value what was there, respond constructively to the challenges they faced, and modify her management style to facilitate needed changes. The results of her actions demoralized members of the firm, generated significant turnover, and adversely affected the entire organization.

Following Fiorina’s dismissal in 2005 and subsequent flawed efforts to get things back on track, the board appointed Meg Whitman as CEO in 2011. At that point, many believed HP was operating on borrowed time. A number of the members of the existing senior management team were reported to have been very unhappy with her appointment. Whitman was an outsider, and some of them had been jockeying for the top job.

Whitman knew that hard choices were needed. These included making major changes to her senior management team, to get rid of infighting and promote much-needed cooperation and constructive engagement. Major job cuts (34,000) had to be made to address cash flow and market realities. However, she also clearly signaled a return to the organization’s roots, by restoring funding and executive support for what was then a gutted and demoralized R&D function, symbolizing their commitment to innovation. She made the need for change salient to organizational members and created a sense of urgency. The enterprise was restructured to better align it with the emergent strategy, and she reinforced the importance of having a clear customer focus rather than one driven solely by cost-cutting pressures. Further, she created a vision for the future that offered employees reasons for hope and regenerated shared commitment through the focus on teamwork, collaboration, excellence in execution, and shared celebrations of success. Changes of this magnitude do not happen overnight. HP’s impressive return to cultural and financial health by 2014 (stock price up 300% since 2011; being recognized as one of the 100 top employers in Canada in 2014) show that they appear to be well on their way.⁶³

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Cultural Change at Continental Airlines

A new reward system was put into place at Continental that focused on improved service. Performance-reward systems, in and of themselves, are not necessarily cultural artifacts, but this new reward system contrasted with past practices. It was tied directly to corporate performance, and the financial rewards were paid in a separate check to employees to draw attention to the relationship between performance and rewards. This reward system not only reinforced a new value at Continental, but it also became a symbol to employees of the importance of high levels of performance in the new Continental, as opposed to the acceptance of poor performance, as had been the case in the old Continental. In addition, stories were told throughout Continental about how the new CEO told jokes to employees, answered questions honestly, and was an all-around good guy to work for. These and numerous additional artifacts replaced old ones that had reinforced bureaucracy and the acceptability of poor performance and that had led to unbelievably low employee morale.⁶⁶ They succeeded in sustaining positive changes in customer service and fleet performance over the years, and their financial performance reflected their success in this very competitive industry. In 2009, *Fortune* magazine named Continental the world's most admired airline, and the World Airline Awards recognized it as the best North American airline.⁶⁷ In 2010 United Airlines acquired Continental.

Developing a Powerful Vision for Change

A **vision for change** clarifies the road ahead. It specifies the purpose of the change and provides guidance and direction for action. It can provide a powerful pull on

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employees to participate positively in the change process.⁷⁵ As Simons says, “Vision without task is a dream world and task without vision is drudgery.”⁷⁶

Visions can be used to strengthen or transform existing cultures. At a micro level, visions are used to focus awareness, energy, and initiative around local issues, processes, and opportunities. At their best, change visions provide well-grounded, challenging reasons for hope and optimism. At their worst, they are trite bromides that accelerate organizational cynicism, hallucinations that are confusing or misguided, or specific directions that are simply inappropriate or counterproductive.

Change leaders use visions to create and advance the mental pictures people have of the future and to provide directional guidance for stakeholders whom change agents need to enlist in the enterprise. Creating the vision is a key part of defining a future state and, in turn, it is central to any gap analysis done by a change leader.

Understanding the foundational components of **organizational vision** is important. In an ideal world, it is closely connected to the mission of the organization (its fundamental purpose or reason for existence) and informs the core philosophy and values of the institution. It addresses such questions as, “What does this organization stand for?” Vision identifies the desired ideal future. From this should flow the strategies, goals, and objectives.⁷⁷ When change leaders have fully developed a change process, the strategies, goals, and objectives flow from the vision and will address three essential questions for an enterprise: What business are we in? Who are our target customers, and what is our value proposition to them? How will we deliver on our value proposition?

Change agents often create change visions or “sub-visions” in order to generate emotional energy, commitment, and directional clarity for the organizational change as the process proceeds from planning through to implementation in different departmental units. These allow the overall change vision to be adapted to reflect how it manifests itself within specific areas of the organization. If FedEx’s overriding commitment to its customers for its express service is “absolutely, positively overnight,” then a change leader’s vision concerning a logistics support initiative might deal with enhancing accuracy in package tracking to reduce error rates to below.00001%.

Beach states:

Vision is an agenda of goals... vision is a dream about how the ideal future might be... it gives rise to and dictates the shape of plans... vision infuses the plan with energy because it gives it direction and defines objectives. Even the most unassuming vision constitutes a challenge to become something stronger, better, different.⁷⁸

Approached properly, it can mobilize and motivate people⁷⁹ and have a positive impact on performance and attitudes.⁸⁰

Change leaders need to know *how* to develop a vision. Jick outlines three methods for creating vision: leader-developed, leader–senior team-developed, and

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bottom-up visioning.⁸¹ As the name suggests, **leader-developed vision** is done largely in isolation from others. Once it has been created, it is announced and shared with others in the organization. **Leader–senior team-developed vision** casts a broader net. Members of the senior team are involved in the process of vision formation. Once completed, it is then shared with others. **Bottom-up visioning**, or an employee-centric approach, is time-consuming, difficult, *and* valuable in facilitating the alignment of organizational members' vision with the overall vision for change. If a change leader can articulate a compelling vision that captures a broad spectrum of organizational members, then a leader-developed vision is likely appropriate. If, on the other hand, employees are diverse and have mixed feelings about the vision, then the change agent's job will be difficult and a bottom-up approach will be necessary. If employees both “get it” (i.e., the vision) and “want to get it,” subsequent support for change will prove much easier to develop, leverage, and implement.⁸² This is particularly important when cultural changes are involved.⁸³

What does it take to develop an effective change vision? According to Todd Jick, good change visions are:⁸⁴

- Clear, concise, easily understood
- Memorable
- Exciting and inspiring
- Challenging
- Excellence centered
- Stable but flexible
- Implementable and tangible

The process of creating a vision statement encourages change agents to dream big. Paradoxically, when visions become too grand and abstract, they can cease to have much impact. Alternatively, they may provide guidance that energizes and mobilizes individuals to undertake initiatives that unintentionally work at cross purposes to other initiatives that have been embarked upon or that may even have the potential to put the organization at risk.⁸⁵

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Lipton provides a pragmatic view of what makes for an effective vision statement. He argues that it needs to convey three key messages: (a) the mission or purpose, (b) the strategy for achieving the mission, and (c) the elements of the organizational culture that seemed necessary to achieving the mission and supporting the strategy.⁸⁷ He believes a vision will be more likely to fail when:

- Actions of senior managers are incongruent with the vision. They fail to walk the talk.
- It ignores the needs of those who will be putting it into practice.
- Unrealistic expectations develop around it that can't possibly be met.
- It is little more than limited strategies, lacking in a broader sense of what is possible.
- It lacks grounding in the reality of the present that can be reconciled.
- It is either too abstract or too concrete. It needs to stimulate and inspire, but there also needs to be the sense that it is achievable.
- It is not forged through an appropriately messy, iterative, creative process requiring a combination of “synthesis and imagination.”
- It lacks sufficient participation and involvement of others to build a consensus concerning its appropriateness.
- Its implementation lacks “a sense of urgency... and measurable milestones.”⁸⁸

Lipton's list provides change leaders with a set of factors to consider when developing and operationalizing their vision for change. Are their actions aligned with the vision? Have they considered the needs of those who will be putting it into practice? If not, Lipton would argue that you are lowering the motivational and directional value the change vision can provide. Conversely, if they are present, the power of the change vision is enhanced.

Change visions need to paint pictures that challenge the imagination and enrich the soul. Too many vision statements are insipid and dull. Too often they represent generic pap—right-sounding words but ones devoid of real meaning, designed for plaques and outside consumption and not rooted in the heart of the organization. Such visions focus on the lowest common denominator, something politically neutral that no one could object to. By trying to say everything or appeal to everyone, they say nothing and appeal to no one!⁸⁹

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