

Managing change

Taking challenges head on

Great change leaders learn the art of losing a battle to win the hearts and souls of their followers.

In an organisation where there is faith in the abilities of formal leaders, employees will look towards the leaders for a number of things. During drastic change times, employees will expect effective & sensible planning, confident & effective decision-making, and regular, complete communication that is timely. Whether they like it or not, the leaders have to face the music while choosing to sponsor major change, even though status quo comes at stake. An overview...



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The famous Chinese philosopher Confucius once said, "It is only the wisest and the stupidest that cannot change." But, what about the rest? In today's highly competitive and volatile world, staying at one place is simply just not enough. Progress always involves some degree of change to the status quo. And therein lies one of the biggest challenges of leadership: How to get one's employees to change their beliefs, thought processes, behaviours, and actions to meet the next challenge facing one's organisation? Very few leaders have

the power to enforce their will unilaterally on their organisation without starting the equivalent of a world war! That is why a combination of principles and pragmatism are essential elements for a change leader.

Taking on the whole world

During every election cycle, politicians throw around the word 'change', as if it were a loose change. Leaders can run into the same scepticism that politicians face when they promise to end poverty or eliminate global warming - if only they are elected. Just

like people get bored of professional politicking, even employees see the leader of an organisation as 'grandstanding' if he/she does not appear to be credible.

Clearly, one's vision to improve a lot of his/her followers is necessary, but it is not sufficient. In his book 'Leading Change,' James O'Toole says that the change-leaders have to be simultaneously principled and should be pragmatic. He says, "Gandhi observed that ultimately, immoral leaders always fail because their followers feel disrespected." While Lincoln never wavered in his conviction about the immorality of slavery, as a pragmatic politician, he also realised that he was not an authoritarian ruler 'with the power to simply abolish the evil practice with a wave of the hand.' Great change leaders learn the art of losing a battle to win the hearts and souls of their followers.

By definition every change initiative tries to change the status quo. Project management methodologies are replete with things like activity duration estimates, cost budgeting, critical path method, Gantt chart, or work breakdown structure - mainly focussing on the left-brain functions. But many a times what is lost in the shuffle are softer, 'big picture' aspects of change management that are typically associated with the right brain.

Very few change efforts are purely technical in nature. Virtually every project is 'of the people, by the people and for the people,' while people have feelings, imaginations, and beliefs. If you look at change efforts that have failed to meet the expectations, more often than not either ignoring or underestimating this important aspect was probably responsible for the undoing.

Loss aversion

Why is change so difficult? It is because there is a 'psychological cost' associated with the behavioural change. One of the most important findings in behavioural research is that the

losses have far-fetched impacts on people than similarly sized gains - a phenomenon that psychologists Daniel Kahneman and Amos Tversky term as 'loss aversion.' Any shortcomings of changing the status quo are seen as losses and 'losses loom a lot larger than gains.' The gains have to outweigh losses by two to four times before people find a new alternative attractive. Giving up what we already have seems like too painful a loss.

In 'Understanding the psychology of new-product adoption' (Harvard Business Review, June 2006), John T Gourville has said that people irrationally overvalue benefits they currently possess relative to those they do not. Interestingly enough, while these behavioural tendencies are universal, people are not even aware of the fact that they irrationally overvalue the status quo.

In his seminal book 'Managing at the Speed of Change,' Daryl Conner discusses three important implications of the human reaction to change:

- Change is considered major when it is perceived to be so by those affected
- Major change is a result of significant disruption in established expectations
- Major change occurs when people believe they have lost control over some important aspect of their lives or environment

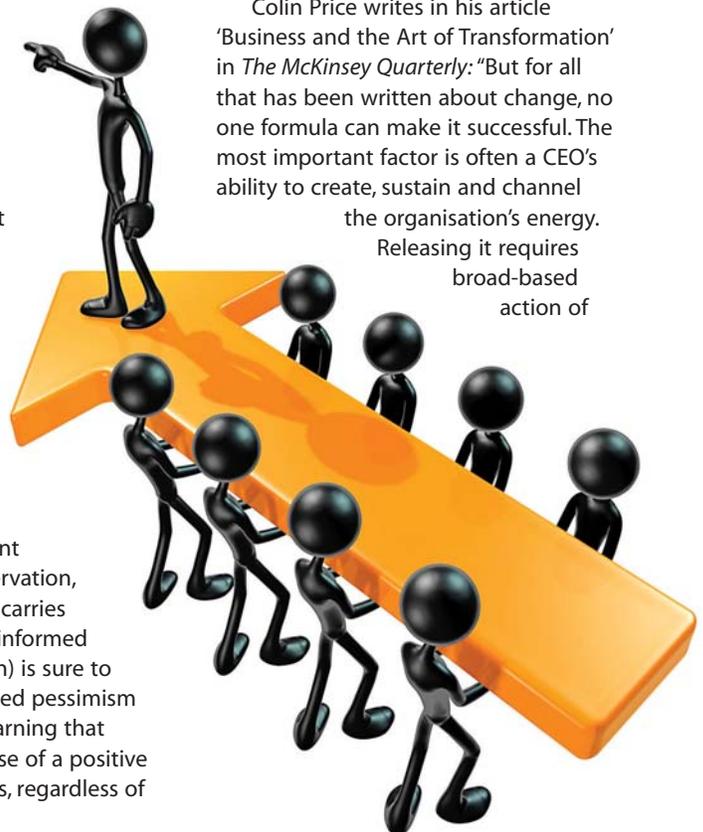
In this important observation, 'even positive change carries with it a price tag.' Uninformed optimism (honeymoon) is sure to be followed by informed pessimism from the inevitable learning that takes place even in case of a positive change. In other words, regardless of

the change being viewed as positive or negative, a change leader faces an uphill task of selling - not simply telling - his followers that, whatever he/she proposes is worth doing despite all its disruptions and the status quo that they will have to leave behind.

Power versus leverage

Anyone who has been around for a while knows all too well that organisation charts do not always describe the real leverage. It is a misconception to think that 'position power' and leverage are the same things. In his book 'Bargaining for Advantage,' G Richard Shell notes that leveraging is about situational advantage, not objective power. Shell says, "Parties with very little conventional power can have a lot of leverage under the right circumstances." He gives the example of how an elderly widow of modest means made Donald Trump's life difficult for more than a decade by not selling a prime property to develop a casino in Atlantic City.

Colin Price writes in his article 'Business and the Art of Transformation' in *The McKinsey Quarterly*: "But for all that has been written about change, no one formula can make it successful. The most important factor is often a CEO's ability to create, sustain and channel the organisation's energy. Releasing it requires broad-based action of



creating the right architecture for the change programme, emphasising on both, near-term performance and longer-term health. /It also helps in setting the right aspirations & creating a time line to meet them, embedding change in processes and systems, transforming the behaviour of employees and renewing the senior-management team. This is indeed no small challenge – no other kind of effort requires such strong leadership from the top to make the right impact.”

This broad-based action, as opposed to fiat, begins with building a clear and compelling business case for the change. The leader should be able to paint a compelling vision of the future that inspires and excites the followers. However, simply, painting a pretty picture of Utopia is not enough. It needs to be supplemented with an implementation plan to get there. And finally, the leader has to clarify what actions and sacrifices are expected from everyone for successful execution.

Psychology of change management

And that is why major change initiatives are enormously difficult. They entail changing the mindsets of tens, if not hundreds, of thousands of employees and persuading them to think and act differently.

Explaining new initiatives to employees can help gain their support.

The age-old advice of ‘communicate, communicate, communicate’ is just too vague. Instead, Phillip Clampitt recommends communicating a certain aspect about decisions that are made. These include how the decision was made, the reasons behind it, what alternatives were rejected, how the decision fits into the organisation’s mission and vision, what changes it will mean for the company, and how it affects employees.

Emily Lawson and Colin Price lay out four conditions for changing mindsets in their article ‘The psychology of change management.’ The foremost condition clearly is to be able to see the point of the change and agreeing with it. The article says, “Surrounding structures (reward and recognition systems, for example) must be in tune with the new behaviours. Employees must have the skills to do what it requires. Finally, they must see people they respect modelling it actively.” So, according to Lawson and Price, success depends on a purpose to believe in reinforcement systems, the skills required for change and consistent role models.

Malcolm Gladwell highlights the importance of social power in his book ‘The Tipping Point,’ when he describes connectors (a small number of people with a radically larger social circle than other people), mavens (information brokers sharing and trading what they

know), and salesmen (with skills to persuade us when we are unconvinced). All three have the power to spark word-of-mouth epidemics and can be one’s allies or detractors during a major change effort.

The people plan

This task of broad-based action to engender change is made even more difficult because an organisation needing a major change probably has a demoralised workforce. Such was the situation faced by Gordon Bethune, when he took over Continental Airlines - the worst among the 10 biggest US airlines in 1994. Continental’s employees actually removed Continental insignia from their uniforms walking through airports, for avoiding answers to uncomfortable questions. He describes this monumental change effort in a folksy, homespun style in his book ‘From Worst to First.’

One would think that people would simply jump at improving the airline, right? Well, they should think again. There were so many people who were so used to working in Continental’s dysfunctional environment that they resisted change. Change is difficult, and people undertake it only if they believe, will they be rewarded for it. Gordon Bethune hatched a plan called the ‘go forward plan’ with four parts, ie, a market plan, a financial plan, a product plan, and most importantly, a people plan.

In his words, Bethune described it as, “The environment was so bad that regardless of marketing strategies, financial plans, and reliability incentives, there were not going to be any improvements in Continental’s operations until we stopped treating people the way we had been treating them and got them to start working together.”

He goes on to say, “So, part of our plan – and it was vague at this point, even though over the long-term it was by far the most important part of the plan – was to make it a corporate goal to change how people treated



each other: to find ways to measure and reward cooperation rather than infighting, to encourage and reward trust and confidence. That was the only real solution to our problem in the long run." He emphasises that the change efforts of this magnitude cannot be piecemeal. Because everything is connected to everything else, one has to pay attention to all the important elements.

Doing it right or doing it over

In re-making IBM, Lou Gerstner described it as, "changing the culture - the mindset and instincts of people" as the hardest part. And that is precisely why, changing sponsors and change agents must proactively develop a thorough understanding of the change dynamic for their own initiative. Employees rarely embrace major changes simply because some higher-up announces that it is the right thing to do. Change agents need to be savvy to make major stakeholders (anyone

with the ability to make or break the project), a part of the solution rather than a part of the problem. They need to mitigate the overall risk level for the change by:

- Identifying specific stakeholders (individuals and groups)
- Objectively understanding the nature of the impact on each of them
- Quantifying the severity of the impact
- Assessing (not guessing) their readiness level for change
- Collaborating with the stakeholders
- Brainstorming creative solutions that create a win/win situation
- Integrating these actions as part of the overall project plan

If all this sounds like a lot of extra work, then indeed it is! It is also essential to avoid overt and covert resistance, low morale, miscommunication, reduced productivity, increased anxiety, general confusion, lack of cooperation, defensiveness, territoriality and

outright hostility. Whether they like it or not, this is the burden leaders accept when choosing to sponsor major change. Still, this level of due diligence is often abandoned because it is entirely perceived as unnecessary or a waste of precious time. To sum up, in the words of John Wooden, the legendary basketball coach, "If you do not have time to do it right, when will you have time to do it over?" MPH



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