EXECUTIVE
WHITE PAPER

Change Management:
--- Better **IS** Better!

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AVATAR

Achieve more.

Change Management
Better is Better

Abstract

Better is better. And any CEO worth his or her salt knows that getting continuously better results is the only real measure of success. You may have very strong convictions about why you exist as a business, but above all else, business is about winning.

The only way to win, long term, is to be better than your competition. But they also understand this and get up every day trying to get better themselves.

Implied within the context of *better* is the need for <u>change.</u> Simply repeating the same procedures over and over again will never lead to better. In fact, doing the same things over and over again will almost always lead to your ruination. Why? Because whatever got you where you are today isn't good enough to keep you there tomorrow.

You have the mandate to make your organization better. You're the captain out on the high seas of the marketplace, anticipating storms and deftly guiding the corporate ship around them. And you also have a major role as healer, diagnosing atrophied limbs (departments, divisions) and restoring them to health and strength.

Change management is both an art and a science and requires understanding, expertise and persistence. Positive change rarely happens by fortuity, but rather is the result of a strategic plan and unrelenting leadership focus.

What are you doing today to make your organization better?

Better is better.

Change Management 101

There are few business disciplines with more buzzwords than can be found in the practice of organizational development (aka: change management).

It features its own specialized lingo:
- Transformational Change
- System Engineering
- Impact Analysis
- Paradigm Shifts
- Migration
- Alignment
- Overcoming Resistance

Likewise, it's difficult to find someone who can explain change management without relying upon a visual model such as a sophisticated matrix, a complex flow chart or a series of steps set in a circle, presumably to show the never-ending effort required.

Why? Why does making something better have to be so complicated?

Change is hard for two reasons. First, people get comfortable with the way things are. They find solace in predictable routines. And they resist change. On the other hand, most organizations lack change management expertise. They often turn to an outside guru who provides nouveau phrases and peppy visual aids. But this approach can also fail, if employees come to view the initiative as an event, rather than a process.

In this paper, we'll explore change management from two perspectives: first, the favorable view. It begins with questions bathed in optimism like:

> *"What does it take to get better?"*
> *"What can I do, today, to get better results?"*
> *"What are the essential parts of a results-producing change plan?"*

Why must it be so complicated?

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And, we'll look at change management from the opposite perspective: change is to be mistrusted and therefore "bad", with questions such as:

> *"What's wrong with the way we're doing it now?"*
> *"Why didn't anybody ask me before they came up with this ivory tower idea?"*
> *"What's going to happen to me? How am I going to survive this one?"*

Why Things Stay the Same: Part One--Inertia

The standard gauge of North American railroad beds is 4 feet, 8.5 inches. That's an exceedingly unusual dimension. Why in the world would our entire railroad system have such an unusual specification? Why not four feet, or a nice even five feet? Metric system? Nope. Unless you think the metric equivalent, 1,435 millimeters, is a handy number. The truth is our railroads are based on the railroads in England, because US railroads were originally built by English expatriates.

But then, why did the English use such an odd measurement? Because the first rail lines were built by the same people who built the tramways, which preceded railroads and that's the gauge they used. Okay, why did the tramway builders use that gauge? Because the people who built the tramways used the same jigs and tools that they used for centuries to build horse drawn wagons which used that wheel spacing.

So, why did the wagons have such odd measurements for their wheel spacing? Largely because if someone came along one day and built a wagon with non-conforming dimensions the wheels would break on the old, long distance dirt roads in England that were deeply rutted from years of use.

Now you're forced to ask, "So who built those old rutted roads?" We're getting close. They were built by Roman soldiers. And the ruts? Roman war chariots actually formed the initial ruts, to which everyone else had to conform or risk destroying their wagons.

Believe it or not, Roman chariots were made to a "standard" and their wheel spacing was in fact 4 feet, 8.5 inches. Thus, the United States standard 2,000 years later is a ridiculous 4 feet, 8.5 inches, the same as a Roman chariot.

Roman chariots were built to a standard…

So the next time you are handed a specification and wonder what horse's ass came up with it, your initial reaction might be right, because the Roman war chariots were made just wide enough to match the width of the back ends of two horses.

Now, let's fast forward to the space age. The Space Shuttle has two ancillary engines attached to the main fuel tank. These are solid rocket boosters known as SRBs. They're made by Thiokol in Utah and the design team originally wanted to make them much larger, but there was a problem.

The SRBs had to be shipped by train from the factory in Utah to the launch site in Florida and the railway ran through several tunnels in the mountains. The SRBs had to fit through those tunnels. The tunnels are slightly wider than the railroad track, and, as you know…

Why Things Stay the Same: Part 2—Humans

Microsoft Word and Corel's WordPerfect are two perfectly good pieces of software to produce written documents. Is one better than the other? Hard to say. Word is currently the industry leader but it wasn't always so.

Years ago, we had an assignment to migrate (another good change management buzzword) our client's staff from Word to WordPerfect. They hated the change. They cried how this move was a bummer, how it hurt their productivity, how they would lose functionality.

Later we had a similar assignment migrating another company from WordPerfect to Word. We received the same reaction. "Woe is us. I can't do what I used to do. I've lost my templates. This is going to cost the company soooooooo much money."

So, what's going on here? How can two organizations see things so differently and yet both succeed in frustrating their people? The truth is the software wasn't the issue. Each product worked just fine. At issue was the people's self esteem and feelings of self-worth. We see this over and over again.

"I'm good at doing things the way they are now. I provide value because I know what to do and I'm good at it. I've got things set up the way I want them. Now you want me to change? My knowledge will no longer be valuable. What if I can't adapt to the change? This change will make my life more difficult."

What's gonna happen to me?

The Challenge

Every executive wants to get better results. After all, better is better. It's part of the job description. In many ways, the business environment is a Darwinian arena where those who continue to evolve and improve survive. Those who fail to continually adapt, are eventually eliminated from the industrial gene pool.

The need for change is a universal business imperative, but often begins with a specific catalyst. For example, maybe results have slipped lately and need revitalized.

> **"Our insurance rates are climbing and we're having too many accidents. Something's wrong with safety."**

Or, perhaps the accelerating nature of technology is driving the change:

> **"We need new computer software to better capture and control costs."**

Or, it could be driven by external factors such as the ever changing FMCSA's CSA legislation.

> **"How are we ever going to deal with all these new regulations?"**

Regardless of the impetus for change, challenges pop up like Whack-A-Moles. The allegations fly, *"Everybody's on a different page"* or the classic *"What we have here is a failure to communicate."*

Then there's misalignment (yet another buzzword). Everyone's fighting each other. There's no teamwork. Bad things can and will happen. The point is, change is a human construct and must be accomplished through human cooperation.

So how do you connect the "disconnects"? How can you ameliorate the impact on employees and minimize the upheaval so that your efforts will actually bear fruit? Trust me, a memo or a phone call won't get it done.

Goldilocks and the Hard Bed

Some change initiatives are doomed from the beginning because just like Goldilocks and papa bear's bed, they're perceived as too hard. "We've got too much on our plate right now to tackle this." Or "Nobody has the expertise to deal with the kind of challenges this is going to throw at us."

However, more frequently, they fail when senior leadership considers them a slam dunk, a piece of cake, a pushover that doesn't require much effort. This can happen because of hubris, groupthink, wishful thinking or no thinking at all. The result is the same: a mess that everyone laments followed by a meaningful drop in results and morale.

Overestimating or underestimating your organization's ability to absorb change leads to failure. However, that competitive clock never stops ticking. Somewhere out there, someone is tackling the same problem and trying to gain competitive advantage over you.

Change is human construct and must be accomplished through human cooperation.

The competitive clock never stops ticking.

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We Can Learn a Lot from Medicine

Physicians are some of the most highly educated people in our society. They know that the only way to reliably solve a problem is to first identify it and carefully define it. In other words, they diagnose before they prescribe.

All too often in the business world, executives and managers think they can simply bypass the diagnostic stage and jump right to a solution. This is a flawed strategy. When applied to minor problems, the initiative falls into the dustbin of "We tried that before…," but when the stakes are high and the need for change is vital to survival this approach can actually kill your company.

We can also learn a lot from medical miracles. It's amazing what modern medicine can do and there's no better example than what can be done with artificial limbs.

Today, amputees are provided with mechanical body parts, fitted with sensors that allow them to feel heat, cold, pressure, vibration and so on.[1] Nervous systems can be rewired to provide sensation in an artificial limb. Just think about it: controlling an artificial limb with your mind!

Nice to know but what does this have to do with change management, you ask.

On one level, it can be seen as getting the improvement from the head (top management) to the body (your functional areas that must make use of it). There's also the ever-present need for "feedback" to the head so progress can be assessed. That's the essence of change management.

Just like doctors, you also need a solution that can be cloned, or leveraged, over many different situations. It's got to work in LA, Cincinnati and West Point, Mississippi. It's got to work in accounting and on the docks.

Effective change management begins with comprehensive analysis and diagnostic procedures. Only then can you hope to create replicable strategies.

Diagnose before you prescribe.

Communication must flow in both directions.

…you need a solution that can be cloned.

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[1] The Economist. "How to Rewire the Nervous System". September, 2010.

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Managing Organizational Change

Organizational change is always conceived as logical, rational, orderly, understandable and scheduled on a precise timeframe.

In theory.

In reality, it is usually messy, chaotic, turbulent, misunderstood and takes much longer than ever expected. So, how can you implement change, knowing the outcome may be very different than initially conceived?

There are four basic change strategies, and most companies choose the one that's in line with their corporate belief systems. However, sometimes the wrong strategy is chosen inadvertently due to lack of experience.

Choose the right strategy.

The strategies are based on how management thinks employees will react to news of organizational change:

1. RATIONAL – In a *Rational Change Strategy*, employees are perceived as thoughtful, rational beings who will follow their self-interests once the change is revealed to them.   This works well when the new initiative has high face validity (e.g. it's easy to understand why we're changing.)

2. SOCIAL – In a *Social Change Strategy*, employees are viewed as social beings who adhere to cultural norms and values. When the corporate norms and values change, then everyone begins to adopt to the new culture because "everyone else is doing it."

3. COERCIVE - In a *Coercive Change Strategy*, employees are seen as compliant soldiers who will do what they are told to do. With coercion, change relies on authority and sanctions.

4. ADAPTIVE - In an *Adaptive Change Strategy*, employees are expected to oppose (at first) the disruption of their routines, but they are seen as readily willing to adapt to new circumstances. With an Adaptive Strategy, change is based on building a new organization or system and gradually moving people from the old to the new.

Several factors should be considered when selecting a particular change strategy. However four are of prime importance.

1. **Degree of Resistance:** If vigorous resistance is expected, a Coercive strategy is indicated. Weak resistance or general concurrence with the change is better addressed with a combination of Rational and Social strategies. You can anticipate some resistance to any change initiative, driven by two factors:

   - fear – "they will take advantage of me"
   - self-interest – "they just made my job harder"

2. **Target Population:** Large populations are better served by a blend of all four strategies, improving the odds that at least one of the strategies resounds with each employee.

3. **The Stakes:** High stakes make a case for a blend of all four strategies. When the stakes are high, nothing should be left to chance.

4. **The Time Frame:** Short time frames argue for a coercive strategy. Flexible or longer time frames can be better met with the other three strategies.

Methodology

Here is a high level outline of the change management process. Although it is presented sequentially, there is almost always considerable overlap between the stages throughout the process.

1. *Assess the Resistance*

As discussed above, overcoming resistance is usually the most challenging element of any change process. If the employees are resistant to learning and adapting to new ways, very little change will take place. Therefore, the first step is to identify the obstacles to change.

It begins with primary research, which consists of specific techniques for gathering data and analyzing it. This usually includes a thorough review of existing policies, procedures, processes and programs, followed by the study of:

- Job descriptions
- Quality control initiatives (e.g.: 6 Sigma, Lean Mfg., etc.)

Begin at the beginning: identify the obstacles to change.

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- Talent management performance review processes
- Rules and regulations
- Labor agreements
- Employee orientation materials
- Training, education and development materials
- KPI, or key performance metrics
- Employee survey data

The literature review is accompanied by direct job analysis interviews with a representative population of affected employees. These interviews typically uncover three important sets of data:

1. Limitations (e.g. technical, intellectual, literacy, etc.)
2. Points of resistance (e.g.: What might cause the population push back? What will they lose?)
3. Benefits (What will they gain? How will it help them?)

2. Implement an Effective Pre-Launch Communication Campaign

Create and produce a multi-faceted communication campaign designed to overcome any barriers to change. The content should be responsive to the findings of your initial analysis. Providing communications well in advance of new procedures improves receptivity among all user groups and, when done well, can even generate enthusiasm for the change.

Grease the skids

Successful introductory campaigns often feature a wide variety of events and media:

- Direct mail pieces sent employees' homes.
- Weekly e-mails to managers to update them on progress and to share diagnostic findings.
- e-mails and phone calls to continuously solicit suggestions and recommendations.
- Posters, signs and slogans in the work place to communicate and reinforce the new initiatives with special emphasis on the benefits the employees will enjoy as a result of the change.
- Formalized rollout meeting materials for local managers to make presentations and answer employee questions
- Town hall-style meetings with executives travelling to field locations to press the flesh with the rank and file.

3. Design and Implement an Effective Curriculum

Remember that your audience has high expectations for media after watching Avatar-type movies in 3-D, even on their home sets. Home-spun, amateur attempts send the message that you simply aren't that serious about the change and will end with failure.

Curriculum elements often include:

- Manager's Implementation Guide
- Classroom Facilitator Guide
- DVDs, CD-ROMs or web-based video
- Skills-building workshops (allow for active participation)
- Knowledge and skills tests
- Certification

4. Conduct Testing and Certification

Two important measures can be verified through tested:

1. Comprehension (cognitive outcomes), and
2. Skills mastery (behavioral outcomes).

Close the loop and evaluate initial success.

Performance testing and certification for both learning domains will help ensure the change will actually stick. However, if the new procedures haven't be institutionalized in your culture, the initiative will still fall short of its goals.

5. Provide On-going Support

Remember, change is not and never will be an <u>event.</u> Organizational change requires persistence and dedication. In the absence of on-going support systems, employees almost always revert back to their old ways.

Support begins and ends with senior leadership. Employees do what their boss inspects. In other words, they might not do what you expect, but they will do what you demand of them and that requires "inspection." To make it stick, you'll need a variety of on-going support tools. These include:

- Regular and direct communications with users
- Knowledge Resource Centers (KRC)
- Integrating new behaviors into job descriptions
- Tying the new behaviors to performance reviews and wages

Other effective strategies include: On-going communications in the form of phone calls, meetings and emails, internal marketing materials such as newsletters and bulletins and regular employee surveys over the course of the project and then beyond. Consistent and regular communication will keep awareness and interest high.

Summary

Like it or not, your business is a living, breathing organism. It doesn't exist in a vacuum; it's in a constant state of war for its very survival.. Somewhere, right now, your competitor is working his tail off to come up with a competitive advantage – a way to beat you. Remember, business is all about winning (or, conversely, not losing). Top line sales volume and bottom line EBITDA are merely indicators of how well your doing in the game.

Your choice is to embrace change or perish. The stone age didn't end when we ran out of stones and millions of years of history (and pre-history) clearly point to the need for eternal adaptation. As we said in the beginning, better is better. That's you job. Make your business better though effective change management.

Avatar conducts organizational analyses, provides expertise and develops custom selection, orientation, education, training and support systems. Avatar helps companies modify their employees' behaviors so that people take responsibility for their performance. Avatar's custom-branded strategies and out-come based management tools encourage and reinforce the desired behaviors that lead to operational excellence and world-class results.

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