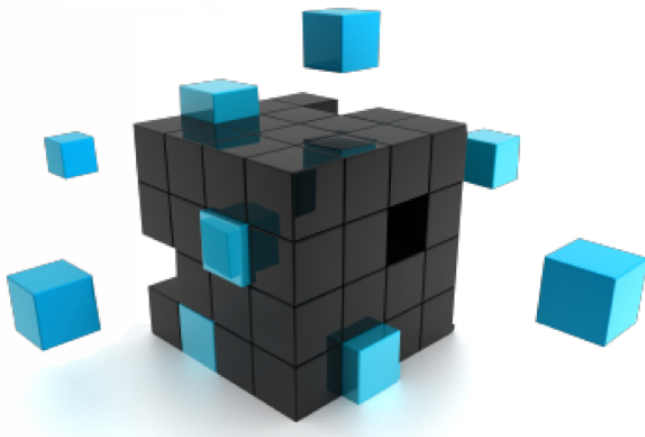


Cracking the Change Code



Abstract

Companies are continually in a state of change. But change remains a challenge and few companies navigate the process and achieve the outcomes they want. Despite the evolution of change management practice about 70% of change initiatives still fail. And the change struggles exert a heavy human and financial toll on organisations. We believe these failures spring from two breakdowns and both can be addressed to greatly improve odds of success.

First, is an unstructured change management process. Although it seems counterintuitive, because we always think of change as chaotic, change is a manageable process that has start point, transition phase, end point and a definite structure that you can reliably anticipate. Conventional project management and change management provides such processes but less than half of organisations consistently employ structured change processes.

Second, is a simplistic view of human behaviour. Conventional change management claims to address the human component but fails to attend to a number of counterintuitive insights that take into account the predictable emotional nature of how employees interpret change and choose to respond (often expressed as irrational resistance). As a result more than 60% of change project problems are people related. Very few organisations understand the nature and process for dealing with the psychology of human responses to change.

Addressing these two issues may take extra effort but the return on investment, reflected in significantly increased project success rates and financial returns, is compelling. This paper presents the practical actions that you can take to improve the likelihood of change succeeding in your organisation.

Change Has a Poor Track Record

Sixteen years ago (J Kotter, 1995) published research showing only 30% of change programs are successful (i.e. were on time, on budget, and delivered the expected outcome). Three years later in another study (Turner & Crawford, 1988) 88% of executives believed that the changes were right and their organisation capable of achieving the changes but only 33% achieved partial or complete success. Ten years later another study of 10,000 projects (Prosci, 2005) reported that 29% were successful, 53% were challenged (i.e. were late, over budget and or delivered less than required) and 18% failed (i.e. were cancelled or delivered and never used). Three years ago another McKinsey survey (Fine, Hansen, & Roggenhofer, 2008) indicated that the success rate for change projects was still 30%.

Success Rate of Change Projects

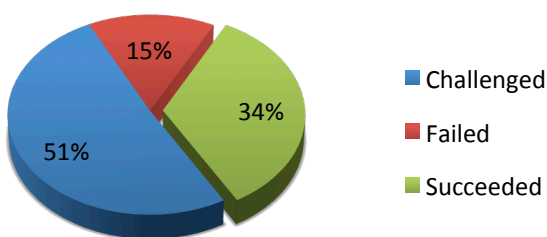


Figure 1 Source: Standish Group, Chaos Study 2011

In the last three years surveys suggest the success rate has shown modest improvement concurrent with reducing project sizes. But the proportion is still unacceptably low at 34% (Standish Group, 2011). The fields of project management and conventional change management have done little; some may say nothing, to improve things in 15 years.

While these success numbers seem dismal they become truly disagreeable when you consider the cost. In the USA alone, between 1990 and 1998 about 91,000 contractors projects failed leaving almost \$23 billion in outstanding liabilities (Prosci, 2005). The 2004 CHAOS report (Standish Group, 2004), found total U.S. project waste alone to be \$55 billion (in lost dollar value and project overruns). No wonder many decision makers are averse to contractors and change projects!

The Reasons Change Projects Fail

Unstructured Change Process

In 1993 Michael Hammer (famous for inventing the term reengineering the organisation together with James Champy) summarised the approach when he said in an interview with Across the Board magazine “You either get on the train or we’ll run you over with the train ...” along with “The way to deal with resistance is ... a bloody axe”. More recently Champy said, “Reengineering is in trouble. It’s not easy for me to make this admission. I was one of the two people who introduced the concept.” (Hammer M and Champy J, 2006). Hammer now affirms most reengineering projects, and change projects that adopt the same approach, fail because they overlook the human side of the operation in the very way implied by his quotes. Unfortunately many companies still employ this approach for driving change – with dismal results. One wonders if organisations are thinking “If it doesn’t work ... double it!”

Pricewaterhouse Coopers (PWC) assign a scale to organisational project management maturity where level 1 is unreliable process inconsistently applied, level 3 is standardised process consistently applied and level 5 is optimised process consistently employed. They surveyed organisations and found the average project management maturity level was 2.5 (Nieto-Rodriguez A, 2004). The average result of 2.5 indicates that the state of project and change management in organisations is at the level of informal processes – which intuitively one would suspect contributes to project failures. PWC also compared maturity with project success and found a clear correlation between project management maturity level 5 and success and change management maturity and success. So, unstructured project and change management process, in part, explains the high percentage of unsuccessful projects.

Non-Functional Organisation Response to Change Resistance

In analysing the human side of why the change programs failed, studies reveal that most (60%) also stumble on precisely the thing that they are trying to transform; employee attitudes and management behaviour (Kotter 1995, McKinsey 2002 & 2008, and Prosci 2005, 2009). Other studies have also shown that positive attitudes to change are vital to succeeding in change programmes (Eby LT Adams DM Russell JEA & Gaby SH, 2000; Gilmore & Barnett, 1992; Kotter 1995; Martin 1998).

The most significant organisational changes are usually related to the operational side of organisations. Operations typically account for the largest number of a company’s employees and the widest variation in skill levels. Units often are scattered across dozens or even hundreds of sites throughout the world, function independently, and have distinct cultures. So, success depends on persuading hundreds or thousands of individuals and groups to think differently about their jobs and to change the way they work. Making operational change stick is critical and difficult. And yet organisations still ignore employee attitudes or inconsistently use unstructured and non-functional strategies and tactics to address predictable human responses to change.

Resistance to Change

Common Reasons Projects Generate Resistance

Numerous studies found that business change initiatives encounter resistance for a common group of reasons (Kotter 1995, McKinsey 2002 & 2008, and Prosci 2005, 2009). The research found that managers and employees:

1. Saw the initiative lacked active executive sponsorship.
2. Were comfortable with the current state and not aware of the business need for change. So they lacked commitment to the change.
3. Were unsure if they had the skills needed for navigating the change process or for success in the future state. Felt a loss of power and control.
4. Were distracted with anxiety, uncertainty and doubt. Lay-offs were announced or feared as part of the change.
5. Were overloaded with current responsibilities and felt the initiative was one too many. Each change was like a pebble dropped in a pond sending out waves and ripples. And like the waves, changes impact one another, and employees wound up feeling like they were surfing a tidal wave of change.
6. Believed they were being asked to do more with less, or do more for the same pay.

Most often people were fearful of and resisted the ambiguity that came with change.

Reframing Resistance to Change

Change (major or minor) generates resistance in some. How many times have you heard your people say, "In our area it is different, so your idea won't work" or "We've tried that before and it didn't work"? Traditionally, resistance has been cast as an enemy of change that must be defeated if change is to be successful. Recent literature contains clear evidence that resistance may be useful and is not to be simply discounted or managed out of existence (Waddell D & Sohal AS, 1998). Some have even argued for retiring the phrase "resistance to change". They think it has outlived its usefulness. The phrase overlooks the potentially positive intentions that may motivate resistance and negative responses to change (Dent & Goldberg 1999, Krantz 1999; Merron K, 1993).

One of the most important and useful principles for managing change relates to the notion of 'positive intention'. The principle essentially states that: At some level, all behaviour has been developed for some "positive purpose" or "intention" (Bandler R, Grinder J 1979 & 1982). According to this principle, resistance or objection emerges from some underlying positive intention or purpose. For example, the positive purpose behind the objection, "It is not possible to change," might be to prevent 'false hope' or to avoid wasted effort.

Resistance shaped by positive intentions may also result from limiting and unrecognised assumptions. A manager may feel threatened by the "change" because they do not feel they have the skills or support to cope with the transition or to deal with "new world order." Neuro-Linguistic Programming (NLP) processes, such as Reframing (Bandler R, Grinder J, 1982), are ways to help people widen their map of a situation and perceive choices and options, other than resistance or interference, for satisfying their positive intent.

In short, the challenge of organisational change is often exacerbated by prescriptions for mismanagement of resistance that disregard positive intention and reframing. Change management

can benefit from techniques that carefully manage resistance to change by looking for ways of utilising it rather than overcoming it. The appropriate response can turn resistance to support.

Structured Change Management Processes in Common Use

Change is a process that can be represented in the image below. The present state is familiar and often a problem. It is usually management (not employee) discomfort that motivates the change. So, many people prefer to continue in an unhappy present state rather than change. The transition state is the change. It is often confusing, ambiguous, and interruptive. The desired state is the solution to the problem and often seems a distant and intangible “dream”. So, effective change management provides plans for the transition process, measures (of behaviour and results) to track progress, and controls to stop people avoiding the transition or reverting to the present state.

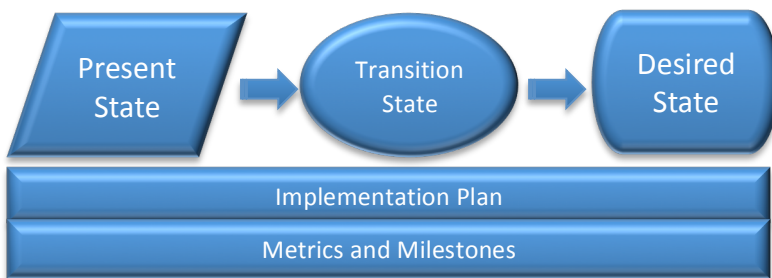
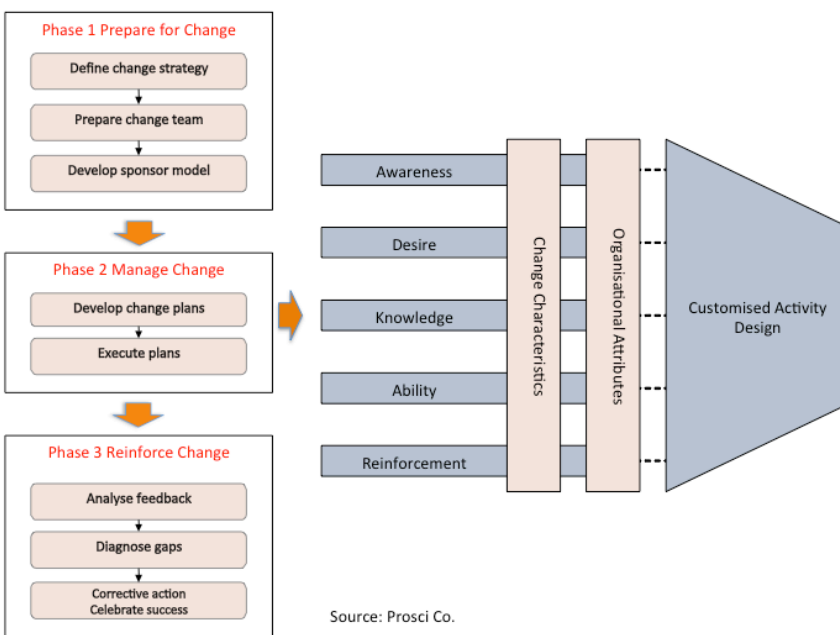


Figure 2 Change Process

A number of approaches have been developed to managing change. The ISO Project Management Standard 21500 (Guide to Project Management) has been in development since 2006, and final delivery is expected by 2012. The Project Management Institute have

published the Project Management Body of Knowledge (PMBOK). PRINCE2 (PRojects IN Controlled Environments) is another standard process-based method for effective project management. PRINCE was established in 1989 by the UK Office of Government Commerce (OGC) and is widely used internationally in Government and private sectors.

Together with effective project management methods like these Lean and Six Sigma (Toyota’s classic approach: eliminating waste, variability, and inflexibility) have become a prominent performance-improvement and change process adopted by global manufacturing, mining and service companies. A typical western Lean Six Sigma methodology (define, measure, analyse, improve, control) draws upon a raft of methods to map value and increase.



Source: Prosci Co.

Figure 3 Prosci Change Management Methodology

But each approach either omits specifically addressing human resistance to change or does not address it effectively. Inconsistent project success in the West has revealed that the challenge of integrating “hard” project management and the “hard” Lean operational tools and approaches with the “soft” human side of change has not been addressed. Mastering the softer side is difficult because it requires getting all

employees to commit themselves to new ways of thinking and working.

In response to this shortcoming, Prosci, a change management research company founded in 1994, developed a popular change management process that attempts to address the technical, project management and people side of the change equation. Prosci say that change only happens when the employees who have to do their jobs differently can say with confidence, "I know what the change is (Awareness), I know what the change is intended to achieve and want that outcome (Desire / Motivation), I know what is expected of me in terms of contributing to achievement of that outcome (Knowledge), I have the systems, processes, values, beliefs and capabilities to lead or support the change (Ability) and my manager and the company reward and recognition systems are aligned to make this change happen (Reinforcement)."

Prosci like most other change management processes readily integrates PMBOK, Prince2, Lean, Six Sigma and other technical business improvement approaches. Where effectively deployed it has delivered more successful outcomes than traditional reengineering, Lean or project management models (Prosci, 2009). So, as Prosci research is consistent with others (Nieto-Rodriguez A, 2004), formal change management models have been gaining increasing traction.

The Source of Non-Functional Organisation Response to Human Behaviour

Updating Descartes

We have a prevailing view in our culture that humans are divided creatures. The Descartes French enlightenment view of human nature, which separated mind (rational) and emotion (irrational), and which emphasised conscious reason over unconscious intuition is still popular. Reason, which is trustworthy, is separate from the emotions and intuitions that are suspect. We emphasise, and are good at talking about, things that are rational, material, conscious and process based.

As a result of recent research into human nature, a richer and deeper view of behaviour is becoming clearer. Researchers are bringing it to us from an array of diverse fields: neuroscience, psychology, sociology, behavioural economics, NLP and applied cognitive psychology. This growing, body of research offers us some key insights. First, the unconscious parts of the mind are most of the mind, where many of the most impressive feats of thinking take place (Lakoff G & Johnson M, 1999). Second, emotion is not opposed to reason; our emotions assign value to things and are the basis of reason (Lakoff G & Johnson M, 1999, Grinder J & Bostic & St. Clair C, 2001). Their work is beginning to show how the emotional and the rational, the conscious and the unconscious are intertwined.

An excellent metaphor for this conscious – unconscious or rational – emotional dynamic comes from (Haidt J, 2006) who talks about a human riding atop an elephant. The Rider represents our conscious mind, analytical, planning side. The Rider decides, "I need to go to destination X, here's the direction I want to go," and tries to set off. But it's the Elephant, the unconscious emotional side, that's providing the power. In any direct contest of wills the Elephant has a size advantage and is going to win. So part of achieving change is aligning both sides of the brain by pointing out the direction for the Rider and also motivating the Elephant to undertake the journey.

Our typical way of communicating in organisations speaks almost exclusively to the Rider. It builds an intellectual case for change and relies on formal authority. Consider how change initiatives are typically rolled out. In many organisations, a change initiative consists of a "Death by PowerPoint" presentation of the reasons for change. There's nothing in the PowerPoint that helps employees believe that "We're

the kind of people who can successfully make this change.” It’s not enough to show intellectually that we need to change and then to decree what those changes will be. If it were, a lot more organisations would succeed in making strategic shifts.

If you attempt to implement major corporate change without understanding this rational - emotional relationship, you’ll be confused by reactions that are a natural part of the process. The odds of success in change management are greatly improved by addressing a number of counterintuitive insights that take into account the emotional (what would traditionally be called irrational) nature of how employees interpret their environment and choose to act in response to change.

Functional Organisational Responses for Managing Change Resistance

Effective change management can be defined as “Managing the process and people side of change by planned actions designed to help people to move towards a desired outcome.” Although discoveries have been made in explaining why people think and behave as they do, these insights have had fragmented application in business and haven’t had a widespread effect. Recently, some companies have found that linking the discoveries together in programs to improve performance has brought about changes in the behaviour of employees; changes rooted in new mind-sets (Price & Lawson, 2003). Performance improvement programs that apply these discoveries in combination can be just as chaotic and complicated to lead as those that don’t. But they have a stronger chance of effecting long-term changes in business practice and thus of sustaining better change outcomes.

Research suggests that four basic conditions have to be met before employees will change their behaviour (Price & Lawson, 2003).

1. **A compelling story:** They must see the point of the change and agree with it, at least enough to give it a try.
2. **Role modelling:** They must also see leaders and colleagues they admire (influence leaders) modelling the desired behaviour.
3. **Reinforcement systems:** Surrounding structures, systems, processes and incentives must be in tune with the new behaviour and fair.
4. **The skills required for change:** They need to have the skills to do what is required of them.

Many change management processes address these four points. For example Prosci respond with their Awareness, Desire, Knowledge, Ability and Reinforcement model. This prescription is well grounded in the field of psychology and is entirely rational. You can also see how it counters the reasons projects encounter resistance (listed in the previous sections). Putting all four of these conditions in place as a part of a conventional change management process greatly improves the chances of bringing about lasting changes in the mindsets and behaviours of people in an organisation and thus sustained improvement in business performance.

One of the merits of the approach above is its intuitive appeal, so much so that many managers feel that it is simply good common sense. And this is where things fall apart and the conditions are not satisfied. The prescription is right, but rational managers who attempt to put the four conditions in place by applying their “common sense” typically disregard human nature and the truth that people are irrational (or emotional) in many predictable ways. For example, scientific study of human behaviour has shown that many of our instincts push us towards failure instead of success. We systematically fall victim to unconscious thought processes that influence our behaviour, even though our rational minds tell us we shouldn’t. How often have you driven around looking for a parking place close to your

destination to “save time” when the search takes more time than it would have taken to walk from the distant available parking space?

If we examine each of these four rational conditions and the predictable irrational human responses to change, you will see where they fail and how to address the failings in order to improve success.

1- A Compelling Story

There are two sides to the way human beings think about any issue. There’s the rational, analytical, problem solving side of our brains. The rational side may say that the company needs to go in a different direction. But the emotional side is comfortable with the old ways of thinking and acting, and it has anxiety about whether the company can change successfully. Managers and employees must see the intention for, outcome from and flow on consequences (the point of) a change and agree with it, at least enough to give it a try. And the “compelling story” is the usual mechanism employed by managers to communicate these ideas. However, key elements of telling a story are often overlooked.

Describe Both The Current and The Desired Situation

Too often compelling stories cover the complication (-) in the current situation or the benefit (+) in the desired situation. Research shows it takes both motivation away from “-” and towards “+” to create real drive for change (Mohr & Magruder Watkins, 2002). Deficit-based approaches to change (i.e. “solve and move away from the present problem”) can create unproductive fatigue and resistance because the outcome is vague. Surplus-based approaches (i.e. “capture and move towards the desired outcome or opportunity”) generate more excitement and enthusiasm, but lead to risk-averse solutions because the risk and cost of doing nothing are not enunciated. By telling both stories simultaneously managers can offset the downsides and maximise change enrolment in the organisation.

Tell Five Stories At Once

However, even if you tell both sides this compelling story telling strategy can fall on deaf ears because what motivates the management team doesn’t motivate most employees. Research confirms that there are at least five sources of meaning for humans at work: impact on society, the customer, the company/shareholder, the working team, and “me” personally (Barrett R, 1998; Cowen C & Beck D, 1996; Zohar D, 1997). What’s more, employees are evenly split as to which of these is a primary motivator. Therefore leadership telling five stories at once is a key to unleashing maximum energy for change. Managers can also gain a better appreciation of what specifically motivates their staff by questioning and listening within the frame of two NLP patterns called perceptual positions (Grinder J & Delozier J, 1986) and precision questioning (Grinder J & McMaster M, 1980). With this context and content specific information highly relevant and effective stories can be tailored for their staff.

Let Employees Find and Tell Their Own Stories

The same research also indicates that when employees choose a story for themselves (versus “being told”), they are more committed to the outcome by a factor of almost five to one, because they uncover the “What Is In It For Me” (WIIFM) for themselves. Time communicating a single message can be dramatically rebalanced towards questioning and listening versus telling. As a consequence you are better off letting the organisation write its own stories.

Leverage Supporting Mindsets and Align Opposing Mindsets

Mindsets (the feelings, beliefs, values and identities) of employees influence their decisions and response to change. There are two very different kinds of logic for making decisions; one is the logic of consequences; the second is the logic of identity (March JG, 1988; Daniels A, 1991). Business is

competent at changing behaviour by changing consequences. If we want salespeople to sell more, we increase their bonuses. But many of the most profound decisions we make in life are made because of mindsets not consequences. When our newborn child cries at night, we don't undertake a net present value analysis of how much more valuable extra sleep would be. We get up because we have an identity of "committed mother or father".

People will make choices that give them unwanted consequences if to make another choice violates a principle of self-concept or identity. Festinger (1957) studied cognitive dissonance, the stressful mental state that arises when people find that their beliefs and values are inconsistent with their actions. He observed humans have an innate need to eliminate cognitive dissonance by changing either their actions or their beliefs. Anyone leading a major change program and wanting to avoid resistance must take the time to think through what makes it worth doing; and tell these "stories" to all of the people involved in making change happen, so that their contributions make sense to them as individuals.

In a change situation, you want creativity and flexibility and that's more likely to come from mindset alignment than from consequences. Consequence based logic tends to narrow people's focus. And given the chance staff will create their own stories to align their mindsets with the change. Most organisations have "bright spots"; divisions or teams who already have the mindset you want and you can start on that and roll it out.

The other little known and convenient things about mindsets, self-concepts and identities are that they have structure and with NLP processes managers can conversationally help employees to change them to get alignment with changes (Andreas S, 2002). With appropriate training managers can learn these skills and apply them to help employees shift limiting mindsets and support change.

Observe Calibrate When "Yes" Does Not Mean "Yes"

In NLP sensory acuity is art of giving attention to the feedback (verbal and non-verbal) that you get from others and the ability to make refined distinctions regarding what we see, hear and feel in that feedback. Calibration is the ability to notice, using sensory acuity, shifts or changes in the way a person looks or sounds and compare their present behaviour with their previously observed behaviour. Both these skills can be easily learned with simple drills but they are rarely taught to or used by managers. Calibration gives the manager the means to identify "incongruence" – the situation where a person may not believe what they are saying and so their body language and voice tones do not align with the words (They say "Yes, I'm happy with the change" and they mean "No, I don't like it.") Managers need to be looking and listening for staff members' verbal and non-verbal agreement to a task or change. Without "congruence" about a change there is no ownership of "my part in it" and failure to complete the project on specification, on time and on budget is probable. When there is incongruence it needs to be recognised, challenged and "ironed out" but first it needs to be recognised. And first it needs to be recognised.

2 - Role Modelling

The term "role model" first appeared in socialisation research on medical students (Merton R, 1968) and described how individuals compare themselves with reference groups or people who occupy the role to which the individual aspires. Clinical work since confirms the idea that consistent role models are important in changing behaviour. In any organisation, people model their behaviour on "significant others": those they see in positions of influence.

Leaders Over-rate Themselves

One pitfall with relying on role models is that leaders and role models often believe they already “are the change.” But numerous academic and business researchers (Church AH, 1997 & Sala F, 2001) have found managers over-rate themselves; i.e. rate themselves higher than others rate them. The higher the management level the greater the discrepancy and more consistently they rate themselves higher than others.

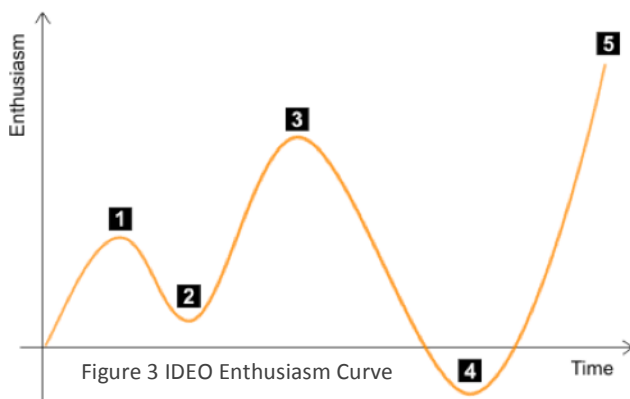
Most executives have the will to role model, but don’t actually know “what” they should change due to their perceptual biases (if they didn’t think what they were doing was right, they wouldn’t be doing it). Smart use of concrete 360-degree behavioural feedback can break through this barrier.

Leaders Over-rate Their Influence

Unfortunately leaders alone aren’t that influential (Katz E & Lazarasfeld PF, 1955). It is not enough to invest in a few rather than in many as a way of catalysing desired changes, no matter how appealing the idea is. New research shows social “contagions” depend less on the persuasiveness of “early adopters” and more on how receptive the “culture” is to the idea (Watts D, 2004; Thompson C, 2008). While influence leaders are important, be wary of overinvesting in them when your effort is better spent elsewhere e.g. leveraging change ready culture or creating one.

Within a single organization, people in different functions or levels of the hierarchy choose different role models. So to leverage role models to change behaviour consistently throughout an organisation, role models at every level must “walk the talk.” It isn’t enough to ensure that project sponsor and people at the top are demonstrating the new ways of working. You need to identify the role models (individual and group) at every level of the organisation and get them on-board.

3 - Reinforcing Systems



IDEO (a design and innovation consultancy) have a mood chart predicting how employees feel at different phases of a change project (Heath C & Heath D, 2010). It’s a U-shaped series of curves starting with a peak labelled “hope” and ending with a peak labelled “confidence”. In between are some negative valleys labelled “insight”. In IDEO’s experience, there is always a moment when change or innovation team feels demoralised. Yet eventually an answer will appear, so if the team keeps working through that frustration, things

will get better. Every manager in a change project should remember IDEO’s chart because every change process goes through that same sequence of mood changes. And employee motivation and reinforcement must continue around these enthusiasm swings. The five points are:

1. Hope – “OK, let’s try it.”
2. Insight - “It’s harder than it looks.”
3. Hope Revisited - “It seems to be working!”
4. Insight - “We’re reaching the point of no return. Do we really want to do this forever?”
5. Confidence - “Hey, we’re getting good at this.”

Align the Reinforcement Systems

Managers and psychologists (Daniels A, 1991) have successfully applied conditioning theory and positive reinforcement (Skinner BF, 1938) in organisations. The results have led to acceptance that frontline

leadership reinforcement is critical; as are reporting structures, management processes, operational processes, and measurement processes (setting targets, measuring performance, and granting financial and nonfinancial rewards) which must be aligned with the behaviour that people are asked to demonstrate. All too often and unintentionally organisations do not have consistent structures and processes and so punish the behaviour they want, inadvertently and effectively extinguishing it.

Some followers of Skinner and Daniels suggest that positive-reinforcement “loops” have a constant effect: once established, you can leave them be. Over time, however, Skinner’s experiments show the same reward and corrective feedback becomes ignored. Staff can become bored with the same rewards and this often prevents organisations from sustaining higher performance. Structures and processes that initially reinforce or condition the new behaviour do not guarantee that it will endure. So, planning for change over time is required (Nelson B, 1995). And any reinforcement system will need to be supported by the other three conditions for changing mind-sets.

Money is Not the Best Motivator

Organisations overlook the fact that money is the most expensive (and not necessarily the most effective) way to motivate people (Nelson B, 1995). A change program’s objectives should be linked to employee compensation to avoid sending mixed messages. However, little upside is gained by increasing monetary reward due to a number of practical considerations. There is a better, and less costly, way. Small, unexpected rewards have disproportionate effects on employees’ motivation during change programs – having an impact on change motivation for months if not years (Aiken C & Keller S, 2009).

The reason small unexpected rewards have such impact is because employees perceive them as a “social exchange” with the company versus a “market exchange.” Interactions from a social norm are built around a reciprocal, long-term relationship. Market norms are perceived as more transactional and shallow.

Autonomy (the need to be self directed), mastery (the urge to improve skill or talent) and purpose (the hope to make a contribution) are said to be three primary factors that drive people to perform in the workplace (Pink DH, 2009). Accordingly social or intangible rewards can be very effective if aimed towards these areas. Examples of social rewards include public praise, opportunities for learning and flexible hours.

Ensure You Have Both a Fair Process and Fair Outcome

Organisations also miss the fact that a fair process is as important as a fair outcome. Employees will go against their own self-interest (i.e. incentives) if the situation violates other notions they have about fairness and justice. Careful attention should be paid to achieve a fair process and fair outcomes in making changes to company structures, processes, systems and incentives.

Also remember most change management processes encourage managers to get “organisational alignment.” The problem is their strategy (an excess of systems, controls, procedures, and practices that seem likely to make the change happen) also creates bureaucracy. Some change management processes can build in the very bureaucratic mechanisms that lead to project failure. And bureaucracy does not produce extraordinary results. Bureaucracy may deliver results, but they will be unexceptional because bureaucracy leads to predictability and conformity. History shows us that organisations achieve greatness when people are allowed to do extraordinary things (show initiative and creativity) that are aligned with the organisational intention.

4 – The Skills required for the Change

Many change programs make the error of pressing employees to behave differently without teaching them how to adapt general instructions to their individual situation. It is vital to ensure managers are trained to lead workplace transitions. Equally frontline workers need to be trained to succeed in the new system. It is also vital that any investment in training delivers behaviour changes that last and are used on the job.

Go Beyond Conventional Single Event Training Models

The traditional model of training focuses on training as an event, not a process. It is well documented



Figure 4 Retention of Single Event training

that the half life of single event conventional training is less than six weeks and that after three months adults retain only 10% of what they have heard in lecture-based training sessions (Equation Research, 2004). Another study by the American Society for Training and Development (ASTD, 2010) reported that only 13% of participants applied the learning in the workplace and 3% of training led to an impact on the organisation. Such results contribute to failed

change projects.

Use Multiple Learning Modes for Mastery

Kolb (1984 and 1991) developed the well-known four-phase adult- learning cycle; a process moving from unconscious incompetence to conscious incompetence to conscious competence to unconscious competence. Kolb showed that adults couldn't learn merely by listening to instructions; they must also absorb the new information, use it experimentally, and integrate it with their existing knowledge. When people learn by doing (e.g. role plays, simulations, case studies), 65% of the learning is retained. And when they practice what they have learnt in the workplace for a number of weeks, together with real time observation and coaching from their manager, almost all of the learning is retained (Rackham N, 1979 and Whitmore J, 2009). Accordingly, effective change capability training programs should be filled with interactive simulations and role-plays to ensure time spent in the training room is most effective.

A good summary of the required approach has recently been developed (Race, P 2010). Learning is seen to be a seven-step process:

- 1) Develop the “want” to learn.
- 2) Develop the “need” to learn.
- 3) Learn by “do”, “practice”, “trial and error”, and “repetition” of success.
- 4) Integrate “feedback” on the do, practice, and trial and error.
- 5) “Make sense” of what has been learned.
- 6) “Coach” other students to deepen your own learning.
- 7) “Assess” (by self and external) learning.

Include Aligning Mindsets In Your Training Plan

Organisational psychologists (Argyris C, 1977; Tichy N and Cohen E, 2002) have shown people assimilate information more thoroughly if the goals, values, frameworks and mind-sets that underlie behaviour can be altered through examination and questioning in the learning process. They call this approach

double loop learning. In conventional single-loop learning mindsets are taken for granted and learning occurs within the individual's existing system constraints.

Mindsets (the thoughts, feelings and beliefs held by employees) drive behaviours. Behaviours drive performance. Training (capability building) must focus on technical skills as well as shifting underlying mindsets that enable the technical skills to be used to the fullest.

Consider what happens when you train an employee in presentation skills but don't address their belief that it is preferable to be the body in the coffin than the person delivering the eulogy to the mourners. How well will they employ their new skills when they are frozen with stage fright? Alternately consider how most bankers are loath to think of themselves as "sales people". Efforts to create "more sales time with clients" will fly directly in the face of their vocational identity. Ignoring the underlying mindsets of employees during change is bound to lead to failure and is unacceptable when there are training and coaching processes that can shift mindsets.

Plan Learning Time Outside the Classroom

These developments in the understanding of human learning processes mean that you can't change mind-sets and teach everything there is to know about a subject in one session. It is more effective to break down formal teaching into chunks, with time in between for the learners to reflect, experiment, and apply the new principles. Large-scale mind-set and behaviour change happens in steps.

Effective training incorporates action plans and commitments made by the participants about what they will practice back in the workplace to embed the learning. The problem is that come the first day back at work, very few keep their commitments. The time and energy required to do something additional, or even to do something in a new way, don't exist in busy employees' and leaders' day-to-day schedules. Ironically, this is particularly the case in the days following training programs, when most people are playing catch-up from their time away.

Given this constraint, it is unreasonable to expect that most employees will genuinely practice new mind-sets, skills and behaviours back in the workplace if nothing formal has been done to lower the barriers to practice and to reinforce doing so. This failure to formalise and create the space for practice back in the workplace dooms most training programs to deliver returns that are at half of their potential.

Training need not be a one-off event. Instead, classroom training can be spread over a series of learning forums and on-the-job fieldwork assigned in between. Training success can be also improved by using "field and forum" approaches linked to trainees' day-to-day accountabilities reinforced by quantifiable, outcome-based goals along the way.

It is important to create on-the-job assignments that link directly to the accountabilities of participants. Require them to put into practice new mindsets and skills in ways that are "hardwired" into improving the KPI on which they are assessed. These assignments should have quantifiable, outcome-based measures that indicate levels of competence gained, and certification that recognises and rewards the commercial results attained.

Train Operational Units Together

To embed the change, you must rapidly train everyone touched by new process and technology. This is best when entire teams receive training together, either in classrooms or virtually, and all teams within each business unit receive training during the same time frame. Installing the process like this will help

ensure that management and supervisors can reinforce their teams' training and that teams will see role models from within their own unit. So, train teams together and not just individuals.

The ROI of Effective Change Management

Effective change management process combined with effective leadership to address human change responses improves project success rates and increases project returns.

A study by McKinsey (LaClair JA & Rao RP, 2002) showed companies with strong change management capabilities realise the biggest returns while the opposite applies for those with poor capability. The study plotted level of change management effectiveness against the value delivered by the project. The companies with best change management practice gained the expected returns or exceeded them; in some instances by as much as 200% to 300% (these three outliers do not appear on the chart opposite).



Figure 5 Source: LaClair JA & Rao RP, 2002

McKinsey (Keller S and Aiken C, 2008) conducted 18-month longitudinal studies using test groups (who used the approaches we suggest above) and control groups (who used the conventional approach).

In one banking example with a 10% project goal the test groups reported 19% lift in commercial profit and 12% lift in retail profit. The control groups reported 8% in commercial and 7% in retail. In a call centre project to reduce customer churn by 50% the test group achieved 65% reduction while conventional approach produced 35% reduction. In an insurance example the approach successfully revamped a stagnant lean operations improvement programme and the company posted more than two years of 5% improvement in cost, quality and service in addition to the original step change and against an ongoing 3% goal. The scenarios were repeated across multiple industries.

For more than twelve years Onirik has run change projects with clients. Each contract employed change management processes and addressed the unconscious and emotional staff responses to change. Every project exceeded expectations by at least 10%; often it was much more. As a result of our high confidence in these change management methods we offer to link our fees to successful project outcomes.

Effective change management works and offers a high ROI – one that more than warrants the additional effort of engaging in the process.

Conclusion

Companies, for the most part, don't manage change as effectively as they could. They often lack the critical knowledge and skills to undertake change, nor do they put in place systems and procedures that advance and reward change in the workplace.

However, effective change management models are available. Models that genuinely anticipate and address the technical, process and human issues associated with large-scale change.

The latest research shows that organisations must attend to four key elements: communicating the story, leadership role modelling, reinforcement structures and systems, the skills required for the change. Each of these conditions is realised independently. Together they add up to fast and lasting behaviour change in organisations.

Organisations and managers who employ the latest change management processes described in this paper can succeed. They will enjoy higher success rates on their projects, earn higher return on investment for change projects and earn a sustainable competitive advantage.

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Geoff Wade (BSc, BE, GCNLP, MBA) is the Founder of Onirik. Onirik is a team of professionals who focus on business value and measurable outcomes, as the reason for our clients to listen to Onirik. Onirik helps their clients get fast and lasting quantum leap improvements in revenue and margins. Onirik helps clients implement the practical applications of research in the field of modelling experts and expertise.