



SECTION

1

A Call for Conscious Change Leaders

- CHAPTER 1 Achieving Breakthrough Results from Change **16**
- CHAPTER 2 The Drivers of Change **31**
- CHAPTER 3 Three Types of Organizational Change **51**
- CHAPTER 4 Two Leadership Approaches to Transformation **81**
- CHAPTER 5 Building Organizational Change Capability **106**
-



Achieving Breakthrough Results from Change

Good is the enemy of great.

—Jim Collins

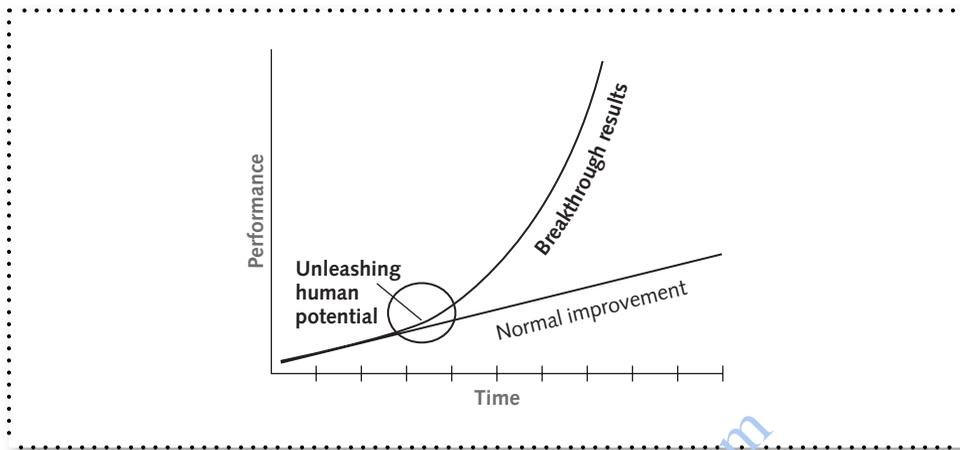
Imagine your organization being wildly successful at change. We don't mean marginally successful; we mean so successful that your achievements are truly extraordinary, and not just in your current change initiatives, but in the vast majority of them going forward.

We adamantly believe that you, your team, and your organization can become so masterful at change that breakthrough results become consistently achievable. It won't be easy, and it won't be immediate, but it will be worth every ounce of effort. To get to great, we have to get beyond good, beyond managing change to truly leading it to extraordinary outcomes.

Our purpose in writing this book, and its companion, *The Change Leader's Roadmap*, is to highlight how to radically increase the outcomes you get from change. We are not interested in the "normal" way change goes, how to make it a bit more effective, or how to reduce employee resistance so things go a bit smoother. We are after breakthrough results from change—not the average but the extraordinary.

Breakthrough results (Figure 1.1) are outcomes that far exceed what would occur if your organization continued to do change in the same way it always has. Breakthrough results, by definition, are a level of achievement beyond what most people would even conceive as possible. They represent a radical, positive departure

Figure 1.1. Breakthrough Results



from your normal rate of improvement—a “break through” the usual or predictable to an unheralded potential that has not yet been tapped or actualized.

Breakthrough results come in many forms. You can achieve far greater business results through change: greater profitability, increased market share, faster cycle times, improved customer satisfaction, and enhanced product innovation. You can also produce powerful, positive impacts on people through change: greater empowerment, increased collaboration across functional and hierarchical boundaries, improved morale, and increased engagement and commitment of stakeholders. Breakthroughs can occur in your culture and its ability to catalyze great performance in your people: enhanced commitment to service, more innovation and learning, more openness and authenticity, more alignment, and dedication to enterprise success.

Breakthrough results occur primarily from unleashing the human potential in your organization. You achieve this by designing better change processes that free up people to contribute more of their abilities and passion.

Generally, people do not think in terms of achieving breakthrough results, during change or any other time. They unconsciously accept middle-of-the-pack approaches and outcomes. Of course, if you ask, they will say that they are going for great, not average results. But their decisions, behaviors, and actions reveal something different.

High achievers are few and far between, in any activity. Few athletes become superstars, just as few organizations reach the pinnacle of their industries.

The middle of the bell curve, the “territory of the average,” is the norm in just about everything. People expect average results during change, just as they unconsciously pursue average results in other areas of their work and life.

More is possible—far more, for you and your organization right now. But first you have to determine the level of results you are after. Certainly, what you learn in this book will help you reduce resistance and run your change efforts more smoothly. It will help you overcome common problems and assist you to deliver greater return on investment (ROI) on your change efforts. This is all good, but is good, good enough for you? We want you to think really, really big. Let’s go for breakthrough. Let’s go for great. Let’s go for the truly extraordinary. And let’s develop the change leadership skills to produce such results.

COMMON PERSPECTIVES AND MISTAKES IN LEADING CHANGE

I cannot say whether things will get better if we change; what I can say is they must change if they are to get better.

—Georg C. Lichtenberg

Change is the nature of life. Nothing ever remains the same. Growth and decay are as fundamental to our existence as our needs for water and air.

While change goes in one of two directions—either toward what we do want or toward what we do not want—most people think of change as bad, as a negative experience we endure as best we can. Leaders often talk of “getting change over with,” minimizing its disruption, and overcoming people’s resistance to it. Employees speak about how uncomfortable it is, how it is a disturbance, and if it would just go away, then they could get back to their work. Stress tests measure the amount of change in our lives because change produces extra stress for most of us.

But change is not always bad, nor does it always lead to negative outcomes. In fact, change is the vehicle to everything better, the essence of improvement, innovation, growth, expansion, and evolution. But if change is the path to breakthrough and greatness, why does it have such a bad rap? Why do people resist it?

Part of the issue is internal. Sometimes we simply unconsciously assume that the change we face will lead to bad outcomes, to some future we will not like. Many of us live in a myth that things will remain the same, that there is a normalcy that

change disrupts and that we want to maintain. Some of us have a difficult time adapting. We do not like the extra effort required to figure out how to thrive in the changed circumstance. Other times we feel victimized by change, that it is happening to us and that we are powerless to influence it. The bottom line is that most of us are just not very change ready or change capable. We want and expect things to remain the same.

Another part of the issue is poor change leadership, which gives change a bad name in the minds of employees. Most leaders design and execute lousy change processes, and when the process of change is bad, the experience of change is bad, which exacerbates stakeholders' negative reactions. They do not like it and resist the change process, even when they can accept, tolerate, or commit to the outcomes it *could* produce. And change fails when stakeholders resist.

A commonly quoted statistic over the past two decades is that 70 percent of all change efforts fail to deliver their intended outcomes. The most recent large study substantiating this finding is IBM's study¹ of 1500 change management executives across fifteen countries. They found that 60 percent of change efforts fail to deliver their objectives. These are alarming numbers. Is the failure rate because people inherently resist change, the intended outcomes and direction are wrong, or because of poor change leadership? Our research is very clear about this. While it is a bit of all three, the real culprit is poor change leadership.

With greater understanding of human dynamics, we can learn to lead change in ways that alter people's negative perspectives. And achieving breakthroughs requires us to shift those perspectives. We—and those we lead—must see change as the harbinger of a more positive future. Change must become our friend, our ally, something in which we are both confident and competent. When seen this way, new possibilities occur, new heights become reachable, greater outcomes feasible. But if we cannot lead change well, it can beat us up rather severely. For this reason, change leadership is a most coveted skill and a strategic advantage.

We have been researching what works and does not work in change for over thirty years. (See premium content: Ten Most Common Mistakes in Leading Transformation; www.pfeiffer.com/go/anderson.) We have been engaged in change projects in virtually every for profit industry; city, state and federal government agencies; the military; and large global nonprofits. Exhibit 1.1 highlights our findings of the common mistakes leaders are making in leading transformation that impair the change process, cause resistance and minimize ROI. One interesting note is that these same mistakes are being made regardless of the type of industry



Exhibit 1.1. Common Mistakes in Leading Transformation

- ▶ **Relevance and Meaning:** Not overtly linking the change effort to the market and business strategy to create clarity in the minds of stakeholders.
 - ▶ **Change Governance:** Not providing clear change leadership roles, structure, and decision making, and how the change effort will interface with operations.
 - ▶ **Strategic Discipline for Change:** Not providing a strategic discipline for how to lead change across the organization—no enterprise change agenda, no common change methodology, and inadequate infrastructure to execute change successfully.
 - ▶ **Misdiagnosing Scope:** Misdiagnosing the scope of the change either in magnitude, or by initiating only technological or organizational initiatives, and neglecting the cultural, mindset, and behavioral requirements.
 - ▶ **Initiative Alignment and Integration:** Running the change through multiple separate or competing initiatives rather than aligning all initiatives as one unified effort and ensuring the integration of plans, resources, and pace.
 - ▶ **Capacity:** Not creating adequate capacity for the change—setting unrealistic, crisis-producing timelines and then laying the change on top of people's already excessive workloads.
 - ▶ **Culture:** Not adequately addressing the organization's culture as a major force directly influencing the success of change.
 - ▶ **Leadership Modeling:** Leaders not being willing to change their mindsets, behavior, or style to overtly model the changes they are asking of the organization.
 - ▶ **Human Dynamics:** Not adequately or proactively attending to the emotional side of change; not designing actions to minimize negative emotional reactions; not attending to them in constructive ways once they occur.
 - ▶ **Engagement and Communications:** Not adequately engaging and communicating to stakeholders, especially early in the change process; relying too heavily on one-way top-down communication; engaging stakeholders only after design is complete.
-

or sector. For profits, nonprofits, and governments all make the same mistakes. We are convinced this is because people are people, and how leaders approach change is similar across the board and is based on common worldviews, styles, and methods. How many of these mistakes do you recognize your organization making?

These mistakes are all products of how your organization is designed to handle its changes. Failed change is costly, and these mistakes cost organizations millions of dollars and vital employee commitment. For example, implementing Electronic Health Records (EHR) in a medium-sized hospital system can cost 20–50 million dollars just in hard capital costs. Customer Relationship Management (CRM) and Enterprise Resource Planning (ERP) implementations systems can be even pricier, some topping \$100 million. Add in the costs of leaders' and employees' time and the

cost of taking their attention away from running operations or serving customers, and the cost of failure grows significantly. Now add in the cost of morale and productivity dropping as people's motivation, time, and attention are diverted to failed efforts. The true cost of failed change is beyond any sensible limit. Organizations simply cannot afford change that does not deliver its ROI, especially in difficult economic times.

What is the cost of failed change in your organization?

If leaders should put their attention on getting really good at anything, it should be leading change. No other leadership skill would bring a higher ROI. Stellar change capability can be applied to every improvement, growth opportunity, innovation, merger or acquisition, technology implementation, restructuring, process improvement, systems change, or cultural transformation the leader ever does—not just this year, but for the rest of their careers.

Imagine the financial and cultural benefit of superior change leadership skill in your organization: change efforts that consistently deliver their ROI on time and on budget; stakeholders who are committed to the outcomes and contribute fully to achieving them; projects that run efficiently with clear roles, decision making, and accountability; and capacity that is well managed to maintain operational success while change occurs. Imagine the value to your organization if you could avoid the cost of failed change and instead consistently deliver maximum ROI from change, year after year. Innovation, growth, and expansion become far greater possibilities, as does winning in the increasingly competitive battles in the marketplace.

Superior change leadership capability is an essential skill in our twenty-first century world. From our perspective, every organization should have building change capability as a key strategic objective, because when achieved, it is a real strategic advantage. Substantial increases in your personal success and your organization's success at leading change are possible. Just how much improvement you can achieve is up to you.

Levels of Success

In our client engagements, we have an upfront conversation that informs the entire relationship and scope of work. In that conversation, we ask a simple question, "How do you define success in this effort?" Our client's answer is important to us because we know that if the change leaders are collectively aware and aligned to a common definition of success, then every aspect of the intervention can be

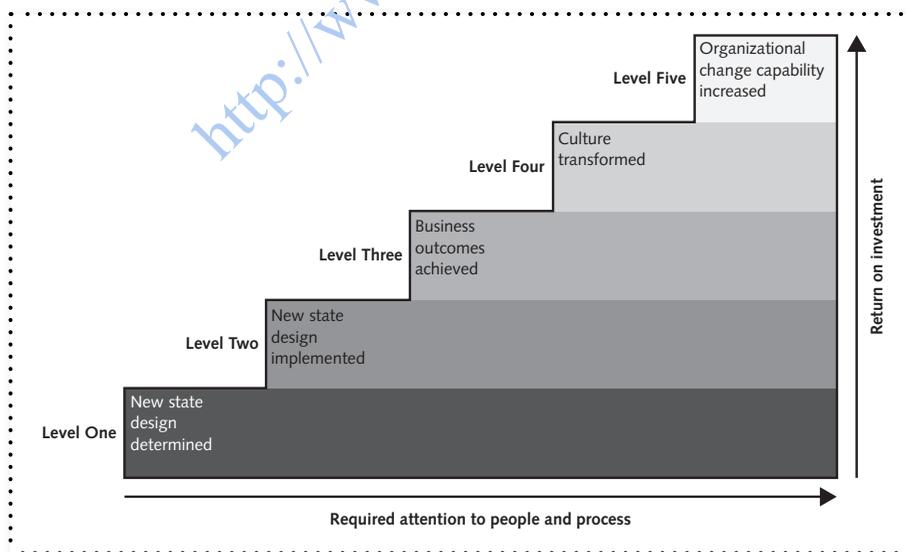
designed to support those outcomes. Plus, this is a key conversation where we can begin to introduce the idea of pursuing real breakthrough.

Figure 1.2 depicts five different criteria for defining successful transformation. We call them Levels of Success: (1) when you have **designed** your new state, (2) when you have **implemented** that new state solution, (3) when you have achieved your desired **business outcomes** from the implementation because engaged employees are using and refining the new state design, (4) when your **culture** has transformed as necessary to sustain and increase these results over time, or (5) when your organization (leaders and employees both) has increased its **change capability** so future changes go even more smoothly and produce even greater results.

These criteria depict five very different levels of success that transformation can produce. The five levels have a “nested” relationship. The higher levels include and require achievement of the lower levels.

The higher the level of success you pursue, the greater the ROI you will achieve from your change effort. But keep in mind, as the level of success you pursue increases, so will the required attention to people and process dynamics. Because of this, success at Levels Four and Five requires far more complex and well thought out change strategies and process plans than do Levels One, Two, and Three.

Figure 1.2. Levels of Success



When asked, most leaders say they want Level Four or Five Success. They want business results as well as culture change and increased change capability. But we find that few leaders truly understand what it takes to achieve those outcomes. When we arrive on the scene, their initial change strategies are built to deliver only Levels One and Two. They have the scope of work planned to design the future state and get it implemented, but they have insufficient attention to people and process dynamics to ensure that they will even get the business outcomes they are after, let alone culture change and increased change capability. Remember, 60–70 percent of all change efforts fail to produce their desired business outcomes.

Achieving business outcomes requires committed stakeholders, which usually requires a change process that has high stakeholder engagement *from the start*. Most leaders design their future state in isolation and then attempt to roll it out to already resistant stakeholders who feel victimized by the change because they were not represented adequately in its early phases. The leaders get the future state designed and implemented, but stakeholders do not completely buy into it. So the new state never gets fully embedded in operations and owned by end users. The results produced are mediocre and far from the breakthrough levels that were possible.

You must build your change strategy and process plan to match the level of success you pursue. A significant value we offer clients upfront is the “get real” conversation about what it really takes to achieve Levels Three, Four, and Five, especially at breakthrough levels. We do not want clients aspiring to outcomes their change strategy and process plan will not deliver, just as we do not want them to settle for average results when they can easily expand their scope and achieve breakthrough results. Our firm’s promise to clients is that they will achieve Level Five results—extraordinary business results, culture change and increased change capability—*simultaneously* by applying what we call the Being First Approach. This approach is not for every organization. It takes real commitment and resources to achieve Level Five Success.

You might be thinking that achieving already-specified business results is adequate for your change effort and that you are not after breakthrough, culture change, or change capability. You simply need your change efforts to run more smoothly, without major people or process issues, so they deliver their expected “normal” results. Here is the good news: Increasing your success at transformation—a little or a lot—requires similar types of improvements and new change leadership approaches. For breakthrough results, you just need to take these new methods farther. For culture change, you likely need to expand the scope of work to include the entire enterprise,

more leadership modeling, systems alignment to the desired culture, and greater attention to internal human dynamics. For capability building, you add training and development, coaching, and learning clinics to your already planned consulting support, all based on advancing your actual change efforts. We do not want to make this sound easy. It is anything but easy, but it is doable and affordable with committed and competent change leadership and a well-designed strategy.

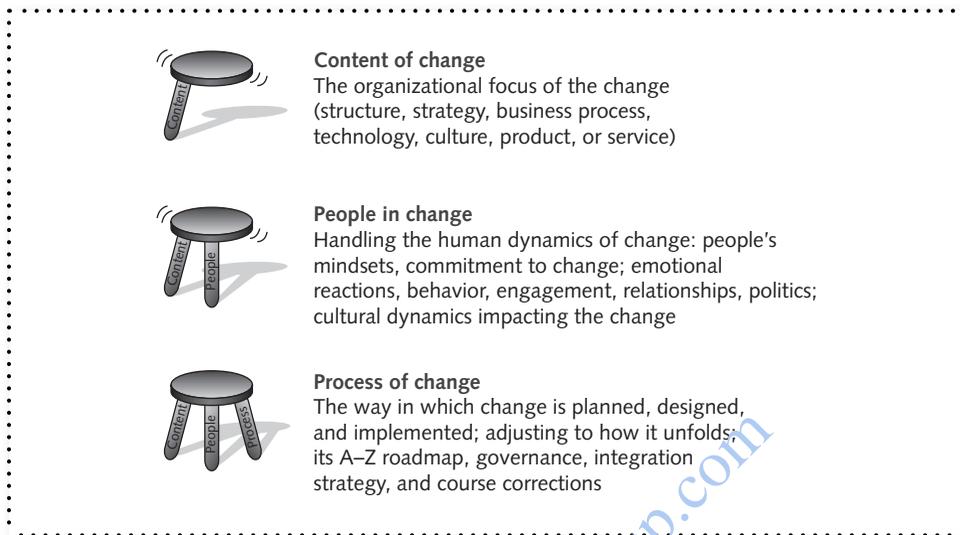
This book and its companion, *The Change Leader's Roadmap*, describe the thinking and orientation behind the Being First Approach. In them, we will show you how to avoid the common mistakes your competitors are making and will reveal what they are not seeing that is causing those mistakes. We will inform you about exactly what you need to pay attention to and how to ensure both efficient and well-designed change processes as well as committed stakeholders. We will pull back the surface level discussions and explore more deeply the root causes of successful transformation. Together, we will lay the foundation for not just Level Three Success, but Levels Four and Five as well. Let's start now with the basic model of what successful change leaders must attend to in order to achieve extraordinary results.

Three Critical Focus Areas of Change Leadership

Successful transformation and breakthrough results require competent attention to three critical focus areas: (1) content, (2) people, and (3) process (see Figure 1.3). *Content* refers to *what* about the organization needs to change, such as strategy, structure, systems, processes, technology, products, services, work practices, and so on. Content refers to the tangible aspects of the organization undergoing change, which are quite observable and reside in the external world we can all see. *People* refers to the human dynamics of change, including behaviors, skills, emotions, mindset, culture, motivation, communications, engagement, relationships, and politics. People includes the less tangible, “soft” dynamics of the inner thoughts and feelings of the human beings who are designing, implementing, supporting, or being impacted by the change. *Process* refers to *how* the content and people changes will be planned for, designed, and implemented. In other words, process denotes the decisions and actions that will produce both the content and people outcomes. In our use of the word *process* here, we are not talking about business processes, but rather, the change process.

Referring to our Conscious Change Leader Accountability Model (Figure I.1 in the Introduction), note that *content* is the systems quadrant, and *people* refers

Figure 1.3. Three Critical Focus Areas of Change Leadership



to the mindset, behavior, and culture quadrants. And as stated earlier, change will need to occur in all quadrants and be unified into one overall change process.

Most leaders are very good at designing the content solutions for their change. When they need assistance, they can and often do engage expert content consulting firms to help design their new structure, system, business process, or technology. These subject matter experts, partnered with internal talent, usually get the content right.

Breakthrough results in organizations *can* occur because of great content, but only if the organizational changes are implemented successfully and effectively used by committed employees. Content changes set up the potential for improvement, but they do not guarantee it. The potential benefits of well-designed content only get realized when the change process is efficient, does not impact operations negatively, and is driven by passionate stakeholders who “own” the new content and are committed to applying and improving it over time. Reengineering business processes or implementing a CRM system may look very attractive on paper, but only if implemented well and adopted successfully in the organization. Clearly, you have to get the content right, but that is the easy part. The greatest possibility and challenge for breakthrough in your organization right now reside in the areas of *people* and *process*.

Consistently across industries, government agencies, and large nonprofit organizations, we see leaders under-attend to people and process. They get consumed in the problem of how to fix the mechanical aspects of their organization and forget that a car does not drive itself. You can give the engine a tune-up or even replace it with a more powerful model, but you still need a skilled and committed driver to reap the benefits. Similarly, a more effective structure or streamlined business process or better technology *can* deliver greater outcomes, but only if you have committed and passionate people to unleash that potential.

People and process dynamics are highly interdependent. The design and implementation of your change process impacts people greatly. For example, a restructuring effort will run into problems if its change process looks like this: You convene a small team to design the new structure behind closed doors; you communicate little to stakeholders and then tell them the new design in a one-way memo only after the design is complete; you then make staff compete for limited jobs, without an opportunity to really understand why the new structure was needed in the first place; you provide no teambuilding to include new members and little assistance to out-placed individuals.

Does this sound familiar? Thousands of restructuring efforts have been run this way, often driven by content consulting firms who get the structure right (content) but have little understanding of people and process dynamics. No wonder people resist such changes. When people are subjected to poorly designed change processes, they naturally resist, even if the content changes fit the needs of the organization. Tightly controlled, top-down efforts that are forced on the organization with little attention to capacity, communication, or engagement, consistently cause negative reactions in people, limiting the possible outcomes that sound content solutions could have produced. And that, in short, is why 60–70 percent of all change efforts fail to deliver their intended ROI.

When change is designed well, and promotes positive human dynamics, breakthrough can occur.

All three areas—content, people, and process—must be *integrated* into one unified change strategy that moves your organization from where it is today to where it chooses to be in the future. Organizations that take a piecemeal approach and separate their organizational and technical changes (content) from their human and cultural changes (people) and run many separate unintegrated change processes fail miserably.

But separating *content* change and *people* change is common practice. Generally speaking, the content advocates, such as those promoting reengineering,

Exhibit 1.2. What Level of Success Are You Seeking?

WORKSHEET

The results you are after in your change effort will frame everything else. Use this worksheet to specify your desired outcomes from your change effort. Also use it to stimulate a conversation with the other change leaders in your project to get alignment. Then use what you learn in this book and *The Change Leader's Roadmap* to assess whether your project is set up to deliver those results. If not, course-correct as needed.

1. What Level of Success are you after?

- Level One: New state design determined
- Level Two: New state design implemented
- Level Three: Business outcomes achieved
- Level Four: Culture transformed
- Level Five: Organizational change capability increased

2. Specify your desired outcomes. Use SMART criteria. Be sure to make them: Specific, Measurable, Achievable, Realistic, Timebound.

Business Results:

Cultural Results:

Change Capability Results:

3. Identify who you need to discuss this with:

- Sponsor of the change:
- Executives:
- Change project leader:
- Change project team:

© 2011, Pfeiffer, An Imprint of John Wiley & Sons

restructuring, information technology applications, and business strategy, do not understand human and cultural change. In the same way, most people proponents, such as human resource professionals, organization development practitioners, team builders, personal growth trainers, and executive coaches, do not understand pure organizational and technical changes. Consequently, transformation is usually

Exhibit 1.3. What Common Mistakes Is Your Organization Making?

WORKSHEET

Use this worksheet to identify the common mistakes your organization is making. Rate each mistake high, medium, or low. If you can, ask your executive team or change project team to assess your organization's common mistakes. One simple yet powerful way is to list them all on a flip chart, and then give each person five votes that they can place on any one or multiple choices, using all but no more than five votes. Tally the votes, and then discuss the outcome. Ask participants to share the impacts of the top three mistakes on the people and organization, and then generate strategies to improve.

Mistake	Rating (H, M, L)
1. Relevance and Meaning: Not overtly linking the change effort to the market and business strategy to create clarity in the minds of stakeholders.	
2. Change Governance: Not providing clear change leadership roles, structure, and decision making, or how the change will smoothly interface with operations.	
3. Strategic Discipline for Change: Not providing a strategic discipline for how to lead change across the organization—no enterprise change agenda, no common change methodology, and inadequate infrastructure to execute change successfully.	
4. Misdiagnosing Scope: Misdiagnosing the scope of the change either in magnitude or by initiating only technological or organizational initiatives, and neglecting the cultural, mindset, and behavioral requirements.	
5. Initiative Alignment and Integration: Running the change through multiple separate or competing initiatives <i>rather</i> than aligning all initiatives as one unified effort and ensuring the integration of plans, resources, and pace.	
6. Capacity: Not creating adequate capacity for the change—setting unrealistic, crisis-producing timelines and then laying the change on top of people's already excessive workloads.	
7. Culture: Not adequately addressing the organization's culture as a major force directly influencing the success of change.	
8. Leadership Modeling: Leaders not being willing to change their mindsets, behavior, or style to overtly model the changes they are asking of the organization.	
9. Human Dynamics: Not adequately or proactively attending to the emotional side of change; not designing actions to minimize negative emotional reactions; not attending to them in constructive ways once they occur.	
10. Engagement and Communications: Not adequately engaging and communicating to stakeholders, especially early in the change process; relying too heavily on one-way top-down communication; engaging stakeholders only after design is complete.	

© 2011, Pfeiffer, An Imprint of John Wiley & Sons

designed and run as separate, nonintegrated initiatives. This just does not work. Focusing only on content, or fantasizing that organization transformation is only about people, or attending to both content and people yet in an insufficient or nonintegrated way, are all equally effective paths to failure.

How can you integrate these often conflicting elements? By *consciously* designing your change process to deliver that integration! Process is the integrating factor—the dimension that brings all the activities of change together. Transformation requires an integrated process approach that attends equally to content and people. And when you get that balance right, breakthrough occurs. You realize the full benefits of your content, and your improvement from change goes through the roof.

Implications for Change Leaders

The sphere of influence of change managers is often only in the area of *people*. They do not have influence over the *content* or the change *process*. Change managers are usually not included in decisions about *how* (process) the content solution of a change is designed. The process for designing the new structure, systems, process, or technology gets determined by the content experts. The problem with this common approach is that resistance can get catalyzed by how the solution is designed as much, if not more, than from what the solution is. Stakeholders may or may not like that your new structure integrates two functions or increases the size of managers' departments, but if you design the new structure without their input or participation, they are more likely to resist no matter what the content. Content experts usually do not have the people expertise to design change processes that build commitment. Consequently, they focus on what the new state should be and not on how that solution should be designed or who needs to be involved in the design process to ensure stakeholder commitment.

Change leadership takes a different approach. While change leaders do not design the content, they engage with the content experts to influence the design process to ensure that it builds commitment in stakeholders by gathering their input, keeping them informed, and in many cases sharing decision power. In other words, change leaders have a greater sphere of influence over the design of the change process, including *how* content gets designed and implemented. In fact, the design of the change process is one of their primary responsibilities, which we will discuss thoroughly in Section Three. In short, change leaders attend to and integrate all three areas of content, people, and process to ensure the best results occur in each.

SUMMARY

Change can either be positive or negative, depending on our perceptions of it, the outcomes it is expected to produce, or the way in which it is run and led. Most change fails. Leaders across industry are making common mistakes. The price of failed change can be devastating. Organizations must develop change capability to increase their success rates.

With superior change capability, breakthrough results become possible. To achieve extraordinary results from change and succeed at transformation, change leaders must attend to three critical areas: content, people, and process. Most leaders have greater competency in business content and less in the areas of people and process. This reveals their key areas of needed improvement.

In the next chapter, we will explore the history and evolution of change management toward change leadership, and discover what is driving change. This will begin our exploration into the nature of how change is changing and causing an expansion in what leaders attend to and what they are responsible for. It will also move us along in our exploration of why we must move beyond change management to change leadership, as well as deepen our understanding of what change leadership entails.

ENDNOTE

1. IBM Global Study: Majority of Organizational Change Projects Fail, October 14, 2008.