All Change is Personal

Why Most Change Efforts Fail and What To Do About It

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"People change what they do less because they are given analysis that shifts their thinking than because they are shown a truth that influences their feelings."
- John Kotter and Dan Cohen, *The Heart of Change*

On a sunny morning in Paris in the spring of 2006 Carlos Ghosn must have felt as if he was experiencing déjà vu all over again. Fresh off of his highly publicized rescue of Nissan in Japan, Ghosn faced yet another challenging chapter in his career: how to right the French company Renault in the face of a challenging economic environment.

Ghosn had inherited distressing numbers. Revenue in 2005 had risen only two percent compared with the previous year, and Renault's market share in Europe had dipped to less than ten percent for the first time in years.

Similar to his experience at Nissan, Ghosn knew that significant change was required. Set against a background of stagnant European automobile sales, which Mr. Ghosn called "an unfavorable environment," and facing headlines that depicted Renault as 'too small, too isolated and too French,' the mercurial leader launched the most aggressive sales drive that Renault has ever undertaken, promising to sell an additional 800,000

vehicles a year by 2009 compared to 2005.[i] But change is not easy. Nor always successful. What it definitely is, however, is personal. At the same time that Ghosn was struggling with implementing his major change initiative at Renault, employees at Renault were struggling too. Jeffrey Rothfeder describes one such employee in a recent article:

> *'On a bleak day in February 2007, Raymond D., a technician at Renault, hung himself in his two-bedroom apartment in the village of Saint-Cyr-l'École, outside Paris. The technician left behind a wife and young son, who had gone out of town and expected him to meet them the next day. His suicide was unexpected in many ways. He had a loving relationship with his family, and his work should have been equally satisfying. The position at Renault was a dream job — he had been obsessed with cars as a youth and had worked at the company since 1992, and Renault was putting him through graduate school for engineering. His performance reviews were consistently positive, and he was on track to be promoted.*

'But in the months before he died, the technician, Raymond D., had been sliding into an emotional abyss, largely because of pressures at work. The company was in the midst of a radical turnaround plan implemented by Carlos Ghosn, who had taken over as C.E.O. in 2005. As a result, the workload had steadily increased for all of Renault's employees, particularly those at the design center where Raymond was employed. Workdays became longer and deadlines more intense. Before he killed himself, Raymond left a note on his son's blackboard that said, among other things, "Tell Mr. Ghosn I can't handle the pressure anymore."'

- Portfolio, Aug 13, 2008

This tragic story highlights how change is so personal that it can cause good people to take extreme measures – when people can no longer bear the pressure that change is creating for them. It also demonstrates the tension that occurs when the unstoppable force of change meets the immovable object of emotions that reside in the brain of an employee.

Yes, this is an extreme case of the impact of change yet it begs the questions: is it possible to implement a successful change without a significant negative impact; and, is it even possible to create effective change at all?

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In this white paper, we will examine:

1. Why two out of three organizational change initiatives fail;
2. The difference between the 'program' and the 'operating system' of change and how an employee's 'operating system' can sabotage even the best thought out change 'program;' and,
3. What leaders can do to help an employee's operating system deal more effectively with change – in order to successfully initiate, implement and sustain change over the short and long term.

Why Two Out of Three Change Initiatives Fail

In 1996, John Kotter published the book, *Leading Change,* which described how **over 70% of change programs fail**. Twelve years later, in 2008, a McKinsey survey of 3,199 worldwide executives found similar results. In this case, their research showed that **only one transformation in three succeeds**.   Sad but true, this news is even more significant given the fact that most companies or divisions of major corporations find that they must undertake moderate organizational changes at least once a year and major changes every four or five.[ii]

What kind of change are we talking about? According to Deloitte, most change programs fall into one of three categories:

- enterprise transformations, such as a merger or acquisition, turnaround or restructurings;
- function transformations which include revamping specific business functions, such as human resources or finance; and,
- sourcing transformations, or putting in place shared services or outsourcing.

Given the wide range of change initiatives that exist and the fact that organizations are continuously changing, why are they not able to improve their ability to do so more effectively?

How Leaders Fail in Supporting Change Initiatives

What are the main traps that leaders fall into in their change initiatives?

1. They make a plan that doesn't include other people (or includes them too late), even though their plan affects those people.
2. They fail to understand the operating system that drives employee behavior.
3. They lack sufficient 'edge' to get the job done; e.g. they do not deal decisively with people who are barriers to change.

Let's look at each of these traps and see how they can result in a failed change effort.

Trap #1. Not Getting Employee Feedback on the Plan

Most leaders operate from a place of good intention. Their intention is to 'do right' and have a positive impact both on the business and on the people they lead. Most are constantly on the lookout for ways to make a difference and to make their business and people better. But they constantly miss a crucial step when it comes to change. They expect everyone to see the need for change and the plan for change just as they do.

We have all witnessed it: the leader arrives back from a conference they've just attended or after reading an evocative business book, and they see how the business could be doing 'a' or 'b' in a much more effective way. Their enthusiasm for the idea is unbridled and as a result, change is likely inevitable. Or, more likely in the current environment, the organization experiences a 30% drop in sales, or contracts stop coming in, or customers are not paying their bills, leaving the company cash-strapped. There could also have been a merger, downsizing, or closure.

The next step involves the leader working through how the new plan fits within the business model and offers them a competitive advantage. They talk with other executives about the plan and get their feedback on how it can be improved. They go to board members, shareholders, and

other members of their executive for feedback and rework the plan.

At this stage, most leaders are feeling pretty positive about the plan, yet this is where they go wrong. They allow their enthusiasm for change to get in the way of the important work of fleshing out the plan with their people. And so it continues.

When the leader 'presents' their idea in a great unveiling (and possibly with an expensive marketing campaign), they are met with blank stares. Or, they mistake shock and dismay for acceptance. Shock and dismay eventually turn to anger and resistance.

In their enthusiasm for the new idea, leaders do not stop long enough to include their people in the crafting of the plan. They have not sought input from the people this change will impact.

What they miss is that the *formulation* of the plan impacts the *implementation* of the plan. When people have input into the formulation, there is a greater probability that they will be more committed to it when it is time to implement.

What leaders have also missed is that when their employees feel voiceless, and or powerless, their brain (the operating system) goes into overdrive, moving to defend and protect. It then becomes impossible for their operating system to run the software of change, specifically what is required to execute the plan and put new strategies and tactics into place. This can cause the most elegant and well crafted plan to go off the rails when it comes to execution.

What To Do?

What do we mean by including employees in the plan and giving them voice? Here is what we don't mean: inviting employees to engage in a detailed discussion about all the nasty details of the change.

Not only is it logistically impossible but it can cause entrenchment that can impede change. Lengthy discussions allow for employees to become fixated on their own point of view based on self-interest. It can lead to in-fighting about the best way forward that favors their job or business unit as opposed to what is best for the organization. Too much voice can complicate and impede change and these
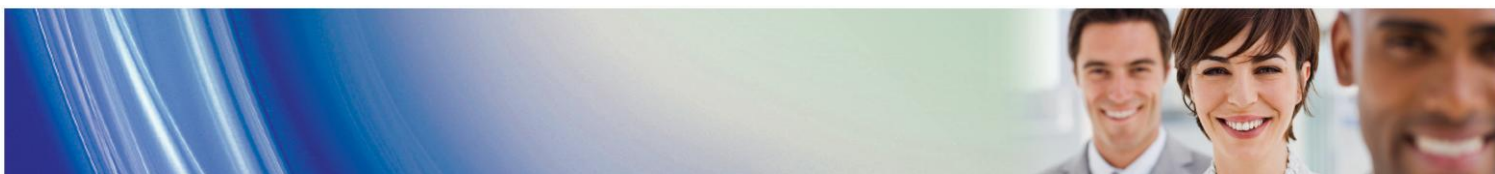
detailed discussions are best left for the management team.

What including employees in the plan does mean is to seek information about their greatest anxieties, their sense of loss, their excitement about opportunities, as well as pros and cons of the current situation.

It does mean listening to how things could be improved without committing to specific actions at that stage of the process. It means painting a picture of how not changing is going to cost the company. It means listening but also communicating the sense of urgency for change.

What can work well is to include select people who will participate in the full planning process and represent employee interests.

"With the furious pace of change in business today, difficulty to manage relationships sabotages more business than anything else – it is not a question of strategy that gets us into trouble, it's a question of emotions."
- John Kotter

Trap #2. Failing to Understand an Employee's 'Operating System' Can Sabotage Change

If the first component of the Hippocratic Oath is to 'first, do no harm,' then the brain's most important modus operandi is 'first, keep alive.' The brain is biologically designed to enhance our ability to survive, so that we can pass on our 'designer genes' to the next generation. If we are injured to the point where our bodies only have enough energy to support consciousness or a heartbeat but not both, the brain has no problem choosing – it puts us into a coma (survival before consciousness), rather than keep us alert but in a death-spiral (consciousness before survival)[iii].

The usual approach to change does not take into consideration this neurological reality. Leaders bring in their 'five point strategies' such as: "communicate the strategy, put into operation the appropriate design systems required, recognize successes along the way, etc, etc...."

These 'five point plan' strategies are the 'software' of change. That is, they are effective in creating change at a tactical level. They are the programs that employees need to run. "First, you do this and then you do that...."

However, if an individual's operating system is not working properly because of feeling threatened by change, the most detailed planning process will have little or no impact.   Using the computer analogy, new software will not work if the hardware system is in jeopardy.   This is the level that great leaders must work at if they hope to be successful in something as difficult as change.
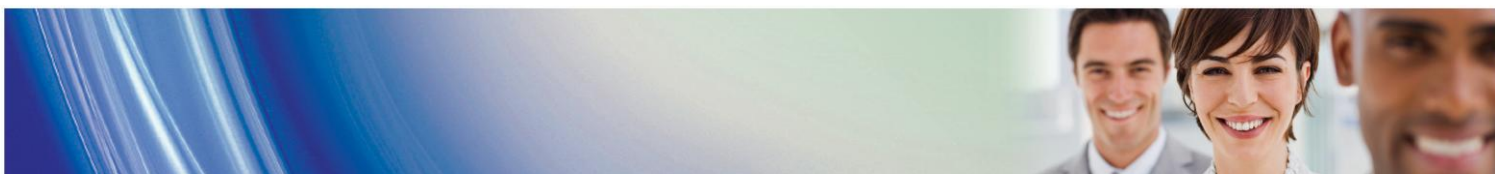
What is the operating system in a change initiative? It is the hard wiring of your employees' brains.

Essentially, our brain has two centers that are important when it comes to change: the amygdala and the prefrontal cortex.

AMYGDALA HIJACK:
- *Heightens sensory acuity*
- *Stops complex thought*
- *Triggers knee-jerk automatic response*

Pre-Frontal Cortex

Amygdala

FIGHT OR FLIGHT RESPONSE:
Heart rate and blood pressure increase. Large muscles prepare for quick action.

Working memory of the brain sits in the **prefrontal cortex**. Known as the 'blackboard of our mind,' working memory is the brain's critical component that allows us to hold on to six or seven ideas at any given time. It is what enables us to engage in complex thinking. The prefrontal cortex contains what is known as 'executive function' – the ability to initiate and stop actions, monitor and change behavior as needed, and to plan future behavior when faced with novel tasks and situations. Executive function allows us to anticipate outcomes and adapt to changing situations.
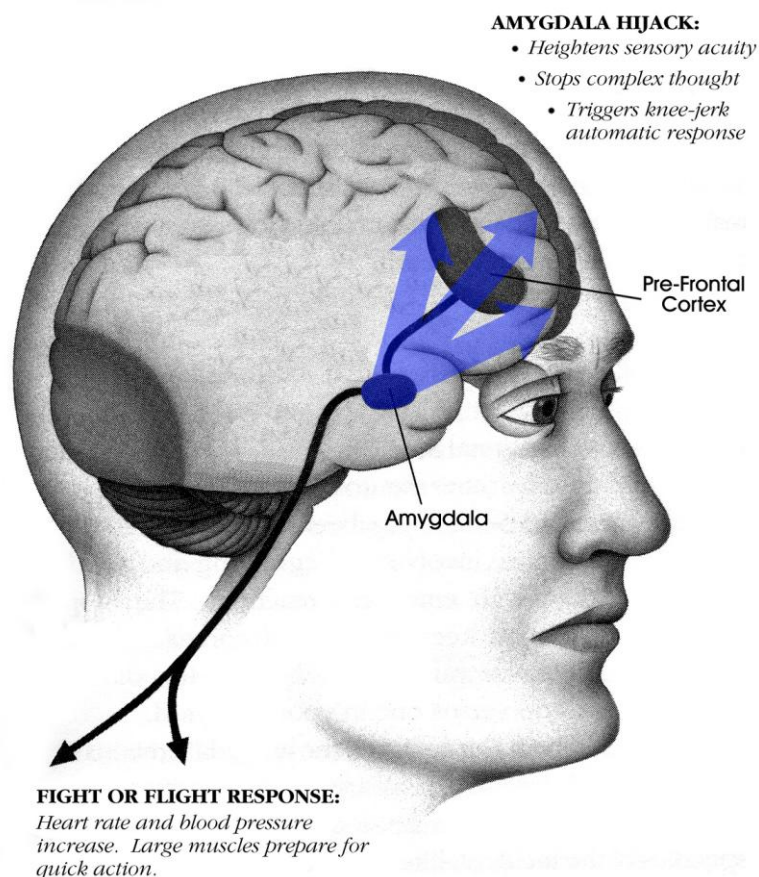
The **amygdala** (Latin for almond, which is how it appears in the brain) is the emotional part of our brain. The amygdala's job is to alert us to danger. It is hyper vigilant about keeping us safe. It views change as a direct threat to our continued existence.

Not only does change make us fear for our survival, but when the amygdala perceives change as a threat, it overtakes or 'hijacks' the pre-frontal cortex, flooding working memory and diminishing complex thinking. We lose valuable cortical real estate on our 'blackboard' and move from six or seven bytes of working memory to, if we are lucky, two or three. We literally can't think straight. We move to binary thinking: black, white; good, evil; right, wrong.

Because the brain's first job is to protect itself, change becomes the *black*, *evil*, *wrong* side of the binary equation and we have trouble seeing beyond protection and defense. We can't see *what's possible* in a change initiative. Or how the change might

actually be a good thing for the company, or for us.

In its ancient role of human survival, the amygdala causes us to look for answers to questions like:

- Will the change affect my social status?
- Will I have less influence?
- Will this change affect who I really am?
- What will happen now? Can I see a new future?

These questions trigger the amygdala, causing people to *avoid* rather than *approach* change. And of course, the probability of success goes down. It sends employees into a default, defensive behavior as a means of protection.

According to Dent & Goldberg (1999), individuals may not be resisting the change itself, but rather they may be resisting the loss of status, loss of pay, or loss of comfort.[iv]

Fifty-eight percent (58%) of employees agree or strongly agree that "the reason change fails at our organization" is because leaders don't take into account how change affects employees personally.

IHHP Survey Data Nov. 2009

You can start to see how change becomes highly personal. For Raymond D., the pressure of change at Renault triggered his amygdala into hijack mode, causing behavior that may have seemed right to him in the moment as a way of saving 'face' from his perceived loss of social status, influence and, seemingly, a future.

Operating System (Amygdala Driven)	Resisting Default Behaviors
Will my social status change?	Self promotion, making big issues of small points
Will I have less influence?	Taking up the 'underdog' cause, work hoarding, building cliques or power bases, making big issues of small points, etc
What does this mean about who I really am?	Lack of confidence, loss of 'face', decreased engagement, anger and blaming, self justification
What will happen now? Can I see a new future?	Clinging to current responsibilities, 'wait it out' attitudes, feeling dispirited, looking for other work, shutting down or worse…
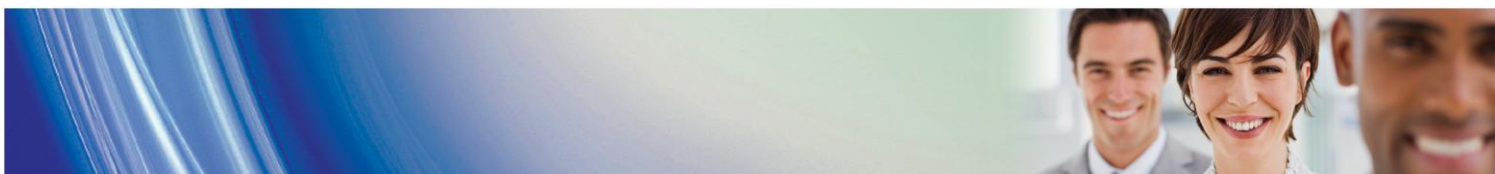
Steps Leaders Can Take

> *"The day soldiers stop bringing you their problems is the day you have stopped leading them. They have either lost confidence that you can help or concluded you do not care. Either case is a failure of leadership."*
> — Colin Powell

This is one of the critical moments in change: a leader has an opportunity to make a difference in not only the change initiative but in a person's life. If they can tune in to what that individual is feeling and understand as opposed to judging, they have a chance to help them stabilize, manage their amygdala and help them through a difficult time. This is what we call using 'heart' as well as 'edge' in a change initiative.

So when you come across behaviors that seem out of character for an individual, be mindful of *your own reaction*. Try not to take the default behaviors that you see personally. Try not to become judgmental and 'certain' about the behavior you are observing. Remember to think of it as an operating system – not just a behavioral problem.

When people resist change, it is easy to feel impatient and begin to micromanage. A new survey by McKinsey recently investigated individual leadership style and how it has changed during the past 18 months of the challenging economic environment. Respondents indicated that

they have seen far more leaders focus on monitoring individual performance – even though they see this style of leadership as one of the least helpful ways of managing.[v]

Build a Bridge

Tuning into employees' operating systems starts by building a bridge to greater understanding of what they are experiencing. But this cannot be done in the usual way.

When we see the need to connect to another person or find a way to overcome an understanding gap, we begin to 'build a bridge' to them.   We begin to explain, describe, account why the change is important from our way of thinking. This makes sense and is the natural thing to do. It's good and it works a little. But it's not great.   It deludes us into thinking that we are connecting with our employees when we really aren't. There is a better way.

What we need to do is start from their side of the bridge – from their perspective – and build each step of the bridge *backwards towards us*. This one change in approach can make all the difference in getting people to adopt change. It helps the leader understand that resistance is the norm, not the exception, and that it should not be interpreted as, "I won't change," but as, "I need help to change."

When we start from the other side of the bridge, we start by thinking about their

needs. In the context of change, it means thinking about what people need in order to be able to step in and take a risk. What they need is to:

- feel like they have a voice;
- feel valued; and
- know where they stand (feedback).

Trap #3. Lacking Sufficient Edge to Get the Job Done

A manager or leader's job is never easy, least of all during change. They have to work hard to deliver results, quarter after quarter. They need to stay on top of changing customer and partner needs and they need to pay attention to the morale levels of their employees.
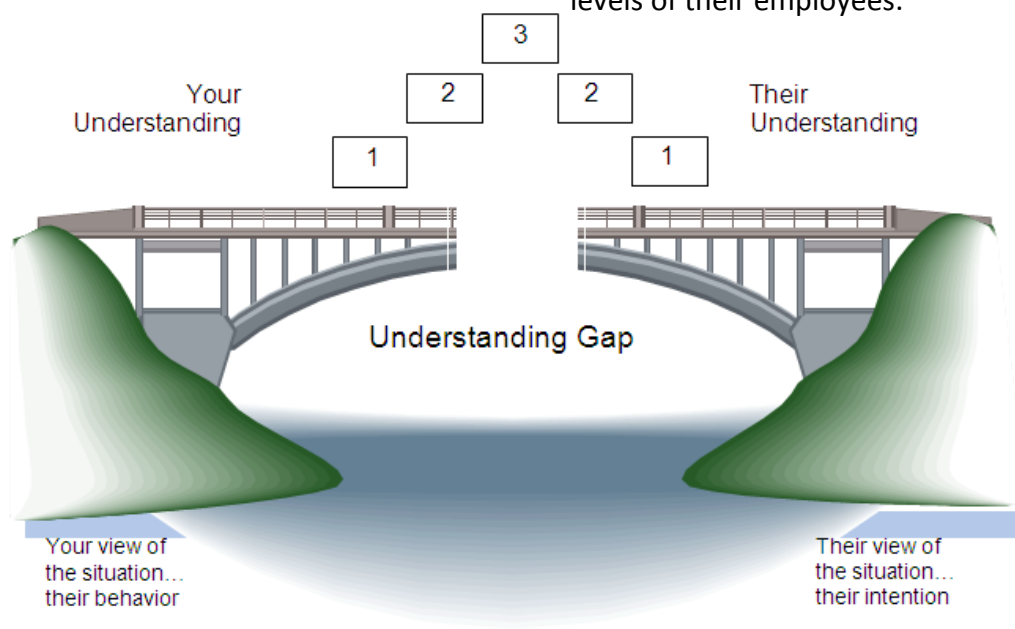
When an individual senses that their manager cares about them in this way, they begin to feel valued and the foundation of deep trust can be built. This beginning allows them to risk. As the leader continues to work on a better understanding of how change is impacting their employees, the best new software can be used to advantage, because now the operating systems of their employees begin to work more effectively.

Of course, at the same time that they are attempting to implement change, *they are experiencing* the impact of change themselves. Their brains, like their direct reports', are attempting to help them survive through uncertainty. Make no mistake; there is significant risk for a manager or leader who is trying to change their business unit or organization. They must manage their own doubts about whether they have the right plan, the right implementation strategy and/or the right

people to carry it off. And, they are being evaluated on it by those above them.

If this isn't tough enough, and despite their best attempts to tune into their employees during the planning and implementation stages, they are going to encounter people along the way who simply *will not change*. For reasons beyond the manager's or leader's control, some people will be unable to get over the emotion that the change is creating in them.

No matter what a leader does, these people will not adapt – they will dig their heels in and refuse to change. It is at this stage of encountering barriers that the vast majority of leaders fall short.

Folger & Skarlicki (1995) found that "resent-based resistance behaviors," which can range from subtle acts of non-cooperation to industrial sabotage, are often seen by the perpetrators as subjectively justifiable – a way to "get even" for perceived mistreatment and a way for employees to exercise their power to restore justice to perceived injustice.[vi]

This is especially true where being 'nice' is one of the dominant values in an organizational culture or where the organization has had a 'family' feel to it for some time. Organizations who fit this description and who aspire to be world class have a very difficult time changing. Not impossible, but difficult. The reason?

Their leaders often do not have the skill or the courage to engage in the difficult conversations required to deal with the people who will not change.

Forty-three percent (43%) of employees agree or strongly agree that "the reason change fails at our organization" is because leaders don't hold employees who are barriers to change, accountable.

IHHP Study, Nov. 2009

A case in point: in a recent study,[vii] researchers found that **80% of leaders** routinely experience direct reports who let them down, and who don't follow through on their required tasks in order to implement a change project.

While this may seem surprising, what is a larger, even more surprising number is the fact that **only 14%** of these same leaders have the difficult conversations required to address problems. This means that **over 60% of resistant or difficult employees are not dealt with.** And apparently on a 'routine' basis. The consequences?

    82% of the time deadlines are missed;
    73% of the time budgets go over time;
    77% of the time there is a failure to meet functionality or quality, and;
    69% of the time team morale gets damaged.
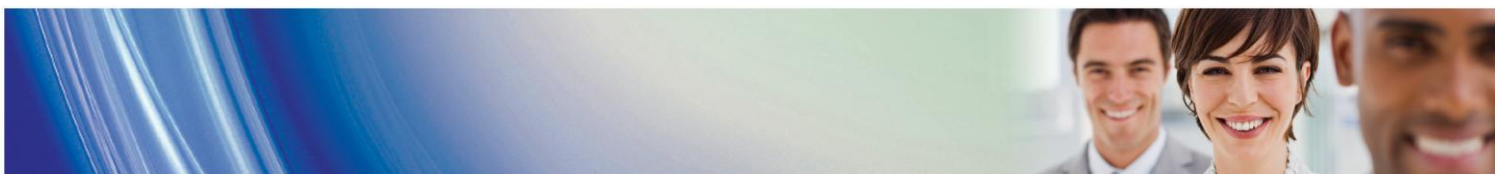
What Leaders Can Do

In our work with professional sports teams, Doc Rivers, current coach of the Boston Celtics, and former coach of the Orlando Magic, once told me: *"If you don't deal with the underperformer in the room, you will lose the room."*

This is as true for a dressing room or an arena in the NBA as it is for a meeting room in an organization. When a leader doesn't deal with 'barrier people' who are letting both themselves and others down, not only does performance decline, but the leader loses the respect of the team.   In this way, the leader 'loses the room' and coaching people through change becomes all the more difficult.

A leader, especially in a more 'collegial' organizational environment, has to be able to live with their people *not liking them*. If a leader has a driving need to be liked, they will be incapable of having edge when it counts, such as during change. Leaders need to engage in the difficult conversations with resistant or underperforming employees, or the change initiative will go off the rails.

If a leader lacks sufficient edge and people notice, employees begin to realize that if they put up enough resistance the leader will cave in, give up and not hold them accountable.   As time goes on, the status quo of allowing underperformance is maintained and the organization becomes further entrenched.

Heart and Edge

A good leader can be committed to getting things done, to holding people accountable, and implementing change, but the difference in a leader with **heart and edge** is how it is done.

"Being responsible sometimes means pissing people off. Good leadership involves responsibility to the welfare of the group, which means that some people will get angry at your actions and decisions. It's inevitable if you're honorable. Trying to get everyone to like you is a sign of mediocrity: you'll avoid the tough decisions, you'll avoid confronting the people who need to be confronted, and you'll avoid offering differential rewards based on differential performance because some people might get upset. Ironically, by procrastinating on the difficult choices, by trying not to get anyone mad, and by treating everyone equally "nicely" regardless of their contributions, you'll simply ensure that the only people you'll wind up angering are the most creative and productive people in the organization."

- Colin Powell

Heart and edge means that leaders stretch themselves to understand their employees' 'side of the bridge' – they have compassion for employees' circumstances and try to understand who they are as individuals. By doing so, leaders can hold their people accountable in a way that is unique to them. Because change is so personal, difficult conversations must happen with those resisting change but with the minimal

> *Sixty-five percent (65%) of employees agree or strongly agree that if leaders had more empathy it would be easier to buy into – and attempt to – change.*
>
> **IHHP Survey Data, Nov. 2009**

number of comments, questions or statements that will cause the individual to become triggered.   It is a leader's job to help them keep enough working memory in order to accept feedback.

It also means that after tuning in, giving them voice in the planning process, and making them feel valued through the difficult period of change, if they continue to resist change, leaders must give them feedback and hold them accountable to get on with it.

Summary

At each stage of the change process, leaders routinely fall into traps that sabotage their best intentions. In the planning stage, they routinely fail to solicit input from their staff. At the implementation stage, they often neglect to recognize that change is a very personal experience for people. Without acknowledging or understanding how change is an operating system problem (and not a behavioral problem), many leaders begin the counterproductive strategy of micromanaging.

Micromanagement, in turn, can cause even good employees to disengage or, worse, to become barriers to change. If leaders do not deal with 'barrier people' head on and decisively, they risk losing the respect of their team – and any chance of being one of the few organizations who are actually successful at change.

Successful change must begin in the brain of the leader.   First, great leaders must manage themselves and their own reactions. Only then can they begin to tune in and understand the behavior of their employees – not just from what they see, but with an understanding of the operating system causing the behavior. By doing so, great leaders will help their employees succeed at the very personal nature of change and shift the low rate of success in change initiatives upward.

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