Interview with

Michael Hoefflinger

Change at the Speed of Facebook

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JOURNAL OF THE AMERICAN MANAGEMENT ASSOCIATION

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Change at the Speed of Facebook

Michael Hoefflinger spoke with *AMA Quarterly* about his book, *Becoming Facebook: The 10 Challenges That Defined the Company That's Disrupting the World*, and the lessons the company has about managing change.

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FEATURES

Rolling with Change Means Knowing How to Manage

Spring has sprung, perhaps a few weeks early as we go to press, with record warm temperatures reported. Things are equally warm on the political front, as President Trump continues to set his policies into motion.

No matter how you feel about the actual climate or the political climate in the United States and the world, you have to admit this—it's not boring at least. And with change happening at such a furious pace, we all have to figure out how to roll gracefully with the punches. In our professional lives, this means we must learn how all of these changes can affect the needs of our companies and customers, and how to successfully make changes.

This issue is all about how to make and manage change. Our cover Q&A, with Michael Hoefflinger, author of *Becoming Facebook: The 10 Challenges That Defined the Company That's Disrupting the World* (AMACOM, 2017), explores how a company that has definitely changed the world we live in has itself handled change. Hoefflinger drills down into one of Facebook's biggest challenges—when Google launched its competitive Google+ service—and discusses how CEO Mark Zuckerberg's vision did not stampede him into making reactive changes.

Albert Siu, VP of Learning and Development for PAREXEL, writes about the challenge of implementing an adaptive learning model. Those companies willing to make constant adjustments and adaptations will be successful in using this model.

Rick Maurer, one of business's leading experts on and practitioners of change management, analyzes why so many changes fail and what leaders can do to stem the failure rate of organizational change.

Holly Lyke-Ho-Gland of APQC details the results of the organization's survey on process and performance management priorities and challenges in 2017. Key to making changes successful is to use communication and support to develop employee buy-in and overcome resistance.

Change in itself is not a bad thing, but change inevitably goes better if there is a full understanding of how to successfully make it happen. AMA continues to offer the tools, classes, and experts to support your change initiatives.

Christiane Truelove

Christiane Truelove
Guest Editor, *AMA Quarterly*

ADAPTIVE LEARNING
A Journey of Possibilities

BY ALBERT SIU, PhD

The biopharmaceutical business is a fast-paced, highly regulated industry.

All training records must be documented and secured, and they must be able to be retrieved at any time for verifications in compliance audits. Before starting work, employees need to know exactly what they are doing. Because of the industry's highly regulated nature and rapid advancements, creating adaptive learning programs makes a lot of sense in this environment.

Adaptive learning is a learning approach that applies a broad range of technologies and teaching and learning techniques. It involves the use of a learning platform that facilitates the tagging, organizing, and delivering of individualized learning content to the learner based on his or her unique needs and requirements.

ADAPTIVE LEARNING IN PRACTICE:
A BIOPHARMACEUTICAL CASE STUDY

Every other week within a month, we have a sizable group of newly hired "clinical research associates" (CRAs) joining PAREXEL at various locations around the world. CRAs have three key functions to perform in the areas of subject safety,

data integrity, and regulatory compliance. In addition to a two-hour New Hire Orientation, where they learn about PAREXEL's culture, core services, and structure, these new hires need vigorous training to be consistent and accurate in their work.

Over the next six months, regardless of their location, newly hired CRAs follow an approach that involves classroom and self-paced learning, mentoring, and on-the-job training within their functional role-based learning. They complete a series of self-paced, e-learning, classroom, and virtual instructor led training in conjunction with an extensive array of online simulations and assessments. These learning activities enable the organization to ascertain their individual skills and knowledge level with regard to navigating the complexities of monitoring clinical trials.

Throughout this training period, new hire CRAs receive formal training, exposure to coaching and mentoring by more experienced CRAs, and on-the-job work experiences to enable them to learn to perform their role "the PAREXEL way." The role-specific training requirements assigned

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>
> — Albert Siu, Vice President of Learning and Development at PAREXEL International

to each person are individualized, calibrated by his or her performance in simulation assessments. Through each stage of the assessment, specific knowledge and skill gaps are revealed by the tests, and the appropriate remedial training content or coaching is assigned. New hires will relearn and be reassessed, improving their knowledge and application ability.

This cycle repeats until their test results show they have mastered the skills and knowledge required to perform in their role. Exposure and experience are gained through observation and co-monitoring opportunities, mock visits with mentors and managers, and on-the-job skill-based assessments. Individual on-the-job performance is monitored by the new hire CRA's line manager and other members of the project team, and feedback is shared with the new hires and documented in LMS.

The program has been highly successful but, by nature of the modality, constantly changing. The processes are not totally automated, but PAREXEL is continually learning best practices to make it work better.

BEST PRACTICE REQUIREMENTS FOR ADAPTIVE LEARNING

Adaptive learning is incredibly exciting, but it has some unique requirements to make it work well. They are:

Accurate definition of core competencies and standards. Functional training, by definition, enables the development of employees' skills and knowledge so that they can successfully perform a job. Therefore, having a constructive relationship with the business process owners is important. Training business partners who have sufficient instructional design expertise and the capacity to understand business processes and requirements ensures employees are learning the right content and are measured by the right standards.

Strong training design capabilities. Having access to robust training design capabilities is an important component for success. Capable in-house services can be twice as efficient and cost-effective as the best of the outside vendors because they offer the capacity and capability to adapt to frequent business requirement changes. Depending solely on external training design vendors would likely be cost-prohibitive in a fast-paced industry.

Robust measurements and metrics and a culture of critical thinking. Measurement and feedback loops are a critical part of adaptive learning. At PAREXEL, training is measured in three levels: the learner's reaction, results, and impact. Business results are metrics and outcomes that business leaders expect if the work is done correctly. Impact is measured by client satisfaction and employee performance. Becoming good at measurement takes both trial and error and critical thinking to make sure learners don't think they know more than they actually do.

Strong governance to support investments and commitment. In a global enterprise, managing the training function is a tricky business. Broadly speaking, there are three models of managing the L&D function: a "centralized model" in which all training-related functions and activities are managed by a centralized organization; a "decentralized model," whereby the training function is managed within silo business units and major functions; and a "hybrid model" of the first two models.

In a completely decentralized model, it will be very difficult to implement adaptive learning enterprise-wide because, by definition, it can only be applied to a very narrow scope within a business unit or function.

In the hybrid model, the scope of application is very dependent on and correlated to the effectiveness, credibility, and working relationships of the federated training entities leaders.

By definition, adaptive learning requires constant adjustments and adaptations. It is anything but static. That is why staying focused on the training goals is key to success.

Adaptive learning holds incredible potential in centralized models, especially when supported by a group of senior business leaders who preside over key training decisions and can support them with significant financial and technical expertise. In this type of model, it's easier to both invest in and implement IT and systems infrastructure and it's easier to get senior executive support for the adaptive learning model.

Strong expertise in organizational development (OD), particularly in competencies modeling and assessments. While OD skills can be out-tasked with external vendors, having in-house capabilities retains knowledge and enables an organization to adapt to requirement changes quickly, efficiently, and effectively.

Strong partnerships with credible partners. Not all service vendors are alike. CLOs need to do due diligence to scope out the right vendors whose product and services fit the specifications and requirements uncovered early in the process. Consultative vendors you can trust make the journey to a new learning model less perilous.

SHIFTING YOUR MINDSET TO MAKE ADAPTIVE LEARNING WORK

Adaptive changes have problems that require new learning and a new mindset in order to be solved. Solutions often cannot be provided by a single body, but rather require collaborations and explorations with different constituencies.

Adaptive learning is not solely a technical challenge. Often CLOs approach adaptive learning as a technical challenge—one that is solved by having the right software, hardware, and courseware. The reality is that it is much more of a relationship challenge, whereby there are embedded emotions, assumptions, perspectives, and beliefs across a body of people. If we gloss over them or leave them unresolved, they will come back to haunt the entire effort. As Ron Heifetz, Alexander Grashow, and Marty Linsky write in their book *The Practice of Adaptive Leadership* (Harvard Business Press, 2009), "The most common cause of failure in leadership is produced by treating adaptive challenges as if they were technical problems."

Keep the goal in mind. By definition, adaptive learning requires constant adjustments and adaptations. It is anything but static. That is why staying focused on the training goals is key to success.

Leverage the steps as a way of educating and engaging business teams. Help business leaders to see CLOs as champions for their cause, which at the end they are better off using this learning modality than otherwise.

Data is our friend; measurement is not a nuisance task to placate. Develop scorecards or dashboards to showcase trends and performance levels. Use qualitative and quantitative measurements to get a nuanced understanding of progress. Engage in conversations with business leaders and employee groups. These constituencies will teach us a lot about how to evolve and improve the program.

The journey of a thousand miles begins with a single step. Adaptive learning is more of a journey than a destination. We do need to think big about what it can do for our learning function and the services we can provide. But we also need to think in small steps so that we can attend to the necessary details to make adaptive learning a reality.

Product and services companies, especially those that have a more "centralized learning infrastructure," are better positioned to take on the challenge of moving toward a more fully leveraged adaptive learning model.

At PAREXEL, because we have been on the journey of building and strengthening our learning and development infrastructure, and because I have strong support from senior leaders—who participate actively in the training governance process and who listen and partner with me to explore options and weigh the necessity of making judicious education investments—I have the benefit of such support to move toward a more dynamic development model. In time, this model can enable us to be even more efficient and effective in providing learning and development services to employees in the company. AQ

Albert Siu, PhD, is VP of Learning and Development for PAREXEL International, a U.S. global clinical research and regulatory consulting and outsourcing company. He manages the company's learning and development functions, including the PAREXEL Academy, a clinical and regulatory forum and a degree-granting institution for the clinical research and monitoring discipline.

Shifting Energy in the
DIRECTION
of
CHANGE

BY RICK MAURER

Even after 25 years of research and practice in change management, the failure rate of change in organizations remains extremely high. In fact, studies on organizational change place the failure rate between 60% and 70% year after year.

The cost of failed change to executives and their organizations can be high. When a major project fails, people assume that someone must be at fault and look for the culprit. Once executives get the reputation of not being able to deliver—even if the failure wasn't their fault—they might as well have bells around their necks that warn others to stay away.

Since so much of an executive's job is to lead change of all types, knowing how to consistently build support is critically important.

WHY SO MANY CHANGES FAIL

A good way to avoid pitfalls is to understand why projects go off the rails. I've found that leaders who enter projects with a clear picture of the landscape and potential hazards tend to create more realistic plans and face fewer surprises.

While there are many reasons why a major project might falter, studies indicate that resistance to change is the leading reason why new initiatives fail in organizations.

The good news is that resistance is often avoidable. Believe it or not, there are no born resistors just waiting to mess up your brilliant plans. People resist for good reasons. If you can identify why they might resist, then you can create plans to harness that energy and turn it into support.

As I prepared to write the first edition of *Beyond the Wall of Resistance* back in the early '90s, I noticed that there were three reasons why people resisted change: They didn't understand what the change was all about. There may have been something about the project that scared them. Or, they may not have trusted or had confidence in the people leading the change. My editor, Leslie Stephen, gave me a simple and elegant way to describe those three levels.

Level 1: I don't get it.

Level 2: I don't like it.

Level 3: I don't like you.

The good news is that each of these three concepts has a plus side: People get what you are talking about, they have a positive reaction to it, and they have trust and confidence in you. The key is knowing where people's energy is at in all three levels. Energy is alive at every step in the life of a change. It's either working for you or against you.

GETTING ENERGY TO WORK FOR YOU

I have created a very simple tool called The Energy Bar to help my clients see where the gap might be between the energy they need to create change and the energy they are likely to get. By the end of this article, you should know enough about The Energy Bar to use it pretty effectively. You might consider giving this tool a test-drive as you read. I encourage you to think about an important person or group whose support you will need, but you are concerned that their energy may lean toward resistance.

In the Energy Bar graphic, you'll notice that the bar of energy runs from opposition to ally (strong supporter) with a few points in between. Ask yourself the following three questions as you examine the graphic.
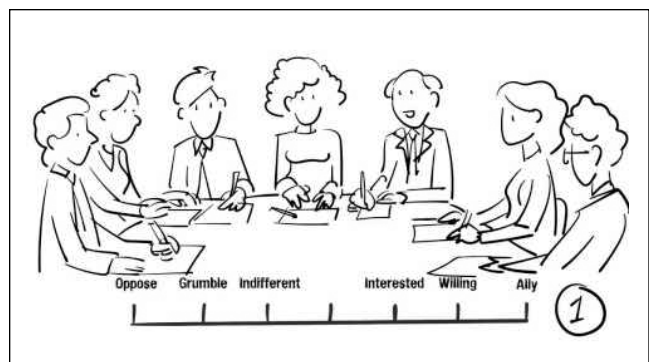
Question 1: What level of energy do I need from this stakeholder?

You've got three choices:

• **Interested.** All you may need is for them to be curious and open to what you are considering.

• **Willing.** You may need them to be willing to try something out, such as attend a planning meeting or critique your plans. This support is like asking for a first date. And that's all.

• **Ally (Strong Supporter).** This is like asking someone to marry you. You need the strongest possible commitment from them.
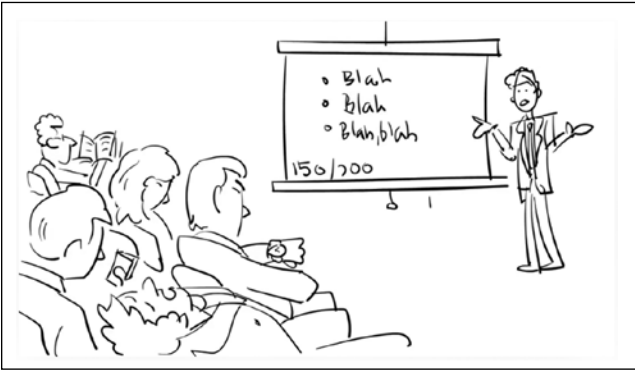
Question 2: Where do you think their energy is?

• They could be **Interested** or **Willing**.

• **Not interested.** They aren't against your idea; they just don't see how it applies to them.

• **Grumbling.** This energy can be quiet or it can be loud. But it often includes the phrase, "Here we go again."

• **Opposition.** They are likely to actively work against you and your idea.

• **?.** If you don't know where their energy is likely to be, you should be nervous. If you move ahead without knowing where they are, it will be akin to flying without radar.

Notice the gap between the energy you need and the energy you think you'll get. This is where the work is.

Question 3: Why is their energy where it is today?

• Is there a gap between the information they need and the information they've got? (Level 1)

• Are they fearful or enthusiastic? (Level 2)

• Do they have trust and confidence in you or not? (Level 3)

Knowing where people's energy is likely to be is important as you create strategies for a change initiative. For example, let's say that you're planning a town hall meeting to introduce a change. When you consider where the energy is likely to be, ask yourself, "Will this town hall meeting begin to shift energy in the direction we need?" If not, then do something else.

CREATING "THE LIST"

A fellow consultant invited me to teach my resistance model to a small planning group that was assigned the task of developing a Business Process Reengineering (BPR) plan for their large company. At the time, BPR was very popular and also very controversial. The mere mention of BPR sent shockwaves through many organizations.

The planning group told me they were going to be meeting with stakeholders in a few days to introduce the first draft of the BPR plan. And they were worried. One guy even said,

"A bomb is going to drop." Others nodded their heads in solemn agreement. He then asked me, "What should we do?" Good question, but I knew as much about the challenge they were facing as you do right now. I needed more information.

I asked each person to think about somebody who would be coming to the meeting and then imagine what might be on his or her mind. I began to write down what they were telling me. As the list grew, I knew what to do with the information. (In fact, creating "the list" has been a cornerstone of virtually all of my work with clients since that day.)

I asked which of the items on the list were Level III (trust)? I underlined those with a red marker. Then I asked which items were Level II (emotional reactions). I underlined those with a blue marker. Finally, I asked which items were Level 1 (data). I used a black marker for that level.

One member of the group looked at this color-coded list and exclaimed, "That's why a bomb is going to drop!" People looked at him quizzically. He continued, "Only about a tenth of the items on the list are Level 1. Everything else is Level 2 or Level 3. We designed the entire eight-hour meeting to address Level 1 issues like facts and figures, objectives, timelines, and so on. We never touch on what's really important to them."

The next thing they did was brilliant. They asked if they could take the next hour and redesign the stakeholder meeting. They kept the same meeting date and the same cast of characters, but they found ways to engage people around the more emotional Level 2 issues. They also found ways to lead the meeting that would begin to improve trust between planners and stakeholders.

Once they saw how big the gap was and why it existed, they knew what to do. And they did something that many leaders fail to do: They allowed themselves to be influenced by the people they wanted to influence.

This story gives me hope. You may not need another new change management strategy in order to build the support and commitment you need. You may not have to go to another conference or training session on leading change. You may not even need to read another book on the subject. (In fact, these seemingly valuable activities can be distractions that get in the way of engaging people.) All you may need to do is to pay attention to the energy of stakeholders in the change and then experiment with strategies you think will move that energy toward Interest, Willingness, and Strong Support. This homegrown approach will allow you to build a repertoire of strategies that will work for you. AQ

Rick Maurer is an advisor to leaders on ways to build support for change. He is author of Beyond the Wall of Resistance *(Bard Press, 2010),* Why Don't You Want What I Want? *(Bard Press, 2002), and other books on leadership and change. You can learn more about his work at www.energybartools.com*

Facilitating Change with
COMPASSIONATE ACCOUNTABILITY

BY NATE REGIER, PhD

Here's a seven-step process to guide change initiatives.

My very first gig as the founding owner of Next Element, and literally the first day on the job, I led a communication skills training seminar for 35 Six Sigma master black belts. Our company was hired to help these super-smart change management experts figure out why people didn't willingly and gratefully implement their brilliant solutions.

Fast forward eight years. I'm sitting in my own executive team meeting scratching my head because I thought we had already committed to a particular packaging and rollout strategy for one of our signature training programs, and now several on my team are suggesting a different strategy. We made the decision six months ago, but they seem to have a foggy memory about something that was crystal clear to me.

Perfectly developed plans don't execute themselves. Great strategies don't guarantee adoption. You can't love someone

into new habits. And a majority vote predicts virtually nothing about future behavior.

Successful and lasting change is a process of the heart, head, and hands. Each one is necessary, but not sufficient for success. Neglect or overuse any one of them, and the negative consequences are predictable.

My team's background is in behavioral science, communication, and organizational dynamics. Our passion over the last eight years has been to study the factors that inhibit or facilitate behavior change, then develop and test models for applying them in leadership. When it comes to facilitating change of any scale, we've discovered three inescapable truths: compassion without accountability gets you nowhere; accountability without compassion gets you alienated; and healthy conflict is a necessary part of the

process. Our work with hundreds of leaders and companies reveals that the majority of change initiatives fail because they don't embrace these three truths.

We've developed a change model based on "Compassionate Accountability," the process of using positive, healthy conflict to facilitate change while preserving the dignity of all involved. The engine of our model is the Compassion Cycle, a dynamic constellation of three Compassion Skills and three key choices that, when used in a specific way, are extremely effective at breaking down barriers to change while opening up breakthrough possibilities (see the Compassion Cycle figure for an illustration of this process).

SEVEN STEPS FOR CHANGE WITH COMPASSIONATE ACCOUNTABILITY

A seven-step process leverages the power of the Compassion Cycle to facilitate change.

Step 1: Start at "Open" to create a safe space. The first compassion skill of openness is about transparency, empathy, and emotional safety. People are more willing to engage and entertain new possibilities when they feel safe, feel heard, and feel validated. Change is emotional, and those emotions deserve space and attention. Conversely, change leaders must also disclose their own motives, agendas, and feelings about what's going on. Why? Because this is probably the most significant motivator of their effort, so they may as well be honest about it. Hiding emotions is akin to withholding information and is a form of lying.

Examples of these statements are: "It's OK to feel scared about this change," or "I am uncertain about how it will all turn out, and I'm excited about what's possible."

Avoid: "Becoming a victim" by giving in to keep the peace or keeping silent because you think it won't matter.

Step 2: "State Your Wants" to reveal motives. Conflict occurs because there is a gap between what we want and what is currently happening. This is particularly true during change. Emotions identified at step 1 are often uncomfortable, maybe even negative. That's OK. So how do you want to feel instead? What emotional end-state are you seeking with this change effort? How will you feel if you get the change you want? It is critical to share what we want with others. This isn't about behaviors or strategies—it's about emotional wants and need.

Examples of these kinds of statements are: "I want to feel more prepared when the market dives next time," or "I want

to feel confident that we are compliant with legislation."

Avoid: Talking about behaviors, especially other people's behaviors.

Step 3: Apply "Resourcefulness" to generate options. The second compassion skill of resourcefulness is about creative and curious problem solving. This is where all possible resources are put on the table, including time, energy, talents and skills, information, and relationships. Goals should be identified and quantified. The ultimate purpose is to discover all applicable resources and generate options for reaching the emotional end-state and getting to the goal.

Examples of questions you could ask at this step are: "What has worked before that we could learn from?" or "What ideas do you have that might help?"

Avoid: Rescuing others by giving unsolicited advice, rushing the process, or trying to solve it alone.

Step 4: "Let Go and Move On" to commit to action.
Commitments require choices among options. This is difficult, particularly when there is no clear option with guaranteed success. Many change efforts are stalled because of pressure to move on without attending to the letting go part. Letting go is an emotional process of grieving loss—loss of alternatives, loss of control, loss of predictability. Voting or demanding compliance with a decision is folly because it doesn't acknowledge the emotional work of letting go in order to move on in a healthy and engaged way. This was the problem in the earlier story about my company. I had gotten agreement on a decision using persuasion, and several team members had complied despite strong emotions about their choice. They moved on without letting go, and it came back to haunt us.

An example of what you can say during this step is: "I know some of you were really invested in the other option. How are you feeling? It's OK to be upset about it and share with the group. I want to be sure you feel heard so that we can count on you to support our decision going forward."

Avoid: Moving on just because you're in a hurry, or believing that a majority vote is final.

Step 5: Apply "Persistence" to see things through. The third compassion skill of persistence is about finishing what we start, taking action on our decisions, and following through on our promises. Step 5 is much easier to implement after the first four steps because there's more buy-in and connection. Real behavior change takes time, support, reminders, and accountability with others. It's OK to remind people about their commitments and check in on goal
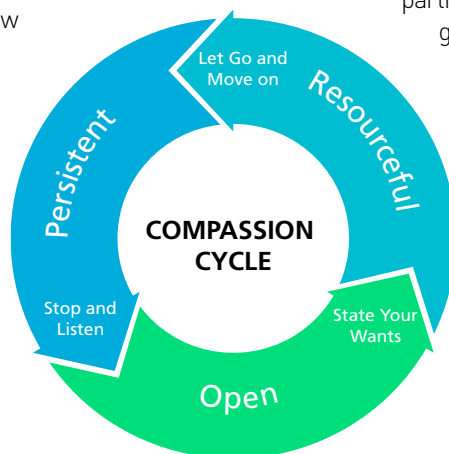
progress. Most important, persistence is about clarifying purpose and guiding principles. Why are we doing this? What's at stake? What principles are guiding us? Keep this front and center.

Examples of how you can follow up are: "We promised to have the policies reviewed and updated by March 1. Are you on track?" or "This matters to me because it's how we live up to our customer service pledge."

Avoid: Persecuting by giving ultimatums, or using threats, guilt, fear, or blaming to motivate people.

Step 6: "Stop and Listen" to check in. Persistence is hard work and it takes a toll on people. Persistence is also the least open of the steps, meaning that we tend to get blinders on and lose touch with how our pushing is affecting ourselves or others. Use regular check-ins to take stock of our mind, body, and soul. How are we feeling physically, emotionally, mentally? Is the stress compromising our health? Stopping and listening is a critical component of healthy change.

Examples of what to listen for or ask are: "I've been waking up more at night worrying about our deadline and drinking more coffee to stay awake at work," or "Change is hard and I care about how it is affecting you. How are you doing?"

Avoid: Ignoring or silencing your body's signals, such as by overusing pain medication, sleep aids, antacids, caffeine, or alcohol.

Step 7: Return to "Open" to reset and recalibrate. Openness is where we reconnect, reset, and get back in touch with ourselves and each other. Successful change requires continuous investment in relationships, emotional health, and connection. Take time to revisit the foundational condition for change—safety. Invest in increasing safety if necessary.

Avoid: Skipping this step in a rush to readjust at "resourceful." Safe, trusting, strong relationships are the foundation for change resiliency.

The Compassion Cycle is a continuous process, with a direction and an order. Repeat steps 1-7 and keep moving to maximize the process of Compassionate Accountability.

MICRO OR MACRO? A NESTED CONSTELLATION

Compassionate Accountability using these seven steps allows individuals and groups to negotiate multiple conflict and change situations at micro and macro levels, internally and with others. The Compassion Cycle can move very quickly, with all seven steps taking place during a single performance conversation with an employee. I go through the Compassion Cycle with each agenda item during a staff meeting. A company launching a new change initiative may go through the cycle once a month. The pace is determined by the situation, when it's time to move, and how well each person makes the transition.

IMBALANCE IN THE COMPASSION CYCLE

We've developed an assessment of a person's or team's strength in each of the three compassion skills, their ability to make the choices to move, and their risk of falling into negative drama behaviors. It's called the Drama Resilience Assessment (http://next-element.com/tools/lod/lod-for-individuals), and we've assessed numerous leaders, teams, and organizations. Our data show three typical imbalanced work cultures that have difficulty with change.

Lack of safety = toxic emotional environment

Lack of curiosity = stagnation and irrelevance

Lack of consistency = no staying power

Cultures lacking safety are underdeveloped in openness. Typical in manufacturing and finance industries, resourcefulness and persistence are high, openness is low. There is no lack of discipline and problem solving, but because people don't feel safe, they withhold discretionary energy. Compliance rather than engagement is the norm.

Cultures lacking curiosity are underdeveloped in resourcefulness. Typical in nonprofit and faith-based organizations, the culture values service (openness) and values-based tradition (persistence). They resist change (resourcefulness) because it's scary and threatens the status quo, and because it may challenge their long-held values. Tradition rather than innovation is the norm.

Cultures lacking consistency are underdeveloped in persistence. Typical in tech startups, openness and resourcefulness are high, and persistence is low. These companies are formed with big dreams of an anything-goes freedom culture and tons of creativity. Wear what you want, come and go when you want, and let the creativity flow! Most startups fail not for lack of innovation, but for lack of consistent follow-through. They lack persistence to see things through over the long haul when it's not fun anymore. When the going gets tough, they play more Ping-Pong. When they meet with obstacles, they head to the coffee shop or microbrewery. Initiative rather than "finitiative" is the norm.

Regardless of the topic, scope, or stakes, these seven steps are a powerful way to embrace the three truths about change to balance care and concern with a focus on performance and behavior. Using the Compassion Cycle as a framework offers a simple and effective process for facilitating Compassionate Accountability. Use it to guide your change initiatives, identify areas for improvement, and develop leadership skills to accelerate engagement. AQ

Nate Regier, PhD, is the co-founding owner and CEO of Next Element, a global advisory firm. A former practicing psychologist, Regier is an expert in social-emotional intelligence and leadership, positive conflict, mind-body-spirit health, neuropsychology, group dynamics, interpersonal and leadership communication, executive assessment and coaching, organizational development, team building, and change management.

The Value of
EMOTIONAL INTELLIGENCE
in Transformational Change

BY DANIEL JENSEN, EdD, AND MARK BOJEUN, PhD

John Kotter's book *Leading Change* (Harvard Business Review Press, 2012) reported that 70% of change initiatives in organizations fail.

As technology and the global marketplace evolve, organizational change has shifted from a "nice to have" to a business necessity, forcing organizations to become more adept at transformational change management (a change in organizational strategy and processes designed to be organization-wide).

Yet, if Kotter is correct, 70% of organizations would continue to suffer failure when implementing change. Why is this so? A key reason many organizations fail is the lack of emotional intelligence in leaders and change agents. Here, we'll discuss reasons for change failure, the use of a team approach to initiating change, and the value of developing emotional intelligence to deal with conflict and resistance.

WHY TRANSFORMATIONAL CHANGE FAILS

Companies evolve as markets, consumers, technologies, and product needs shift, with the resulting organizational change ranging from minor adjustments to company-wide processes. Regardless of the size and impact of the change, staff members are impacted. The change itself can create tremendous fear, strife, and anxiety in employees.

Successfully managing change has become a core competency for organizations. Companies most likely to be successful in effective transformational change are the ones that no longer view organizational change as a discrete event, but instead see change as a constant opportunity to evolve the business. They anticipate change, have a culture that embraces it, are well prepared, and have discipline in their execution and follow-through.

The CEO or other leaders at the strategic level of an organization can direct and plan change. However, it is the responsibility of mid- and direct-level leadership and teams to implement, adjust, guide, and measure the change initiative. Kotter suggests that associating major transformation with one highly visible leader is a dangerous belief. He stated, "No one individual, even a monarch-like CEO, is ever able to develop the right vision, communicate it to large numbers of people, eliminate all the key obstacles, generate short-term wins, lead and manage dozens of change projects, and anchor new approaches deep in the organizational culture."

While a single leader is dangerous and often ineffective, multiple supporters of change at various levels in an

organization contribute to driving successful change initiatives. Supporters and key players in transformational change are "change agents" who assist transformation by focusing on effectiveness, improvement, and development. They generally operate under a leader's future vision, seeing the potential for successful transformation and understanding both the impetus for change and the proposed future state of the environment after the change is completed. They work with others in the organization to communicate the need and direction for change, while listening and understanding concerns, obstacles, and issues surrounding the proposed change.

The change agent communicates and adjusts the vision based on the challenges identified and works to ensure that change successfully delivers the proposed outcomes. In addition, change agents work with individuals and teams in the organization to create additional change agents and to overcome resistance where it is identified. In most successful transformational change efforts, team-based approaches to implementing, guiding, and measuring change result in better buy-in and reduce the tendency to functionalize, or "stovepipe," change initiatives.

A TEAM APPROACH TO IMPLEMENTING CHANGE

The purpose and structure of change management teams is an important consideration in implementing effective change. In short, structure should follow purpose. Often, organizations will charter existing teams to implement

change to defray costs in terms of time, personnel, and funding. However, if the team is not structured to achieve the defined objectives, the long-term costs will be much higher, particularly in terms of operationalizing and institutionalizing the organizational change. The following are considerations when organizing a change management team:

What is the team's purpose in the change management initiative—what does success look like? Team members must have a clear understanding of the team's purpose and of what, specifically, they are responsible for to achieve success. For example, a team may be organized to market and promote the change initiative. Another team may be responsible for developing the implementation plan and so forth.

Based on the purpose, what type of team is appropriate and who should be on it? The purpose and composition of the team must be congruent. For example, if the team is responsible for marketing and promoting the change initiative, it may be appropriate to have representation from customers, suppliers, and other stakeholders that are external to the organization.

According to Robert N. Lussier and Christopher F. Achua in *Leadership: Theory, Application, & Skill Development* (5th Ed) (South-Western Cengage Learning, 2012), there are various team types that can facilitate change initiatives:

Functional teams. Members belong to the same functional department and may focus on their area of expertise rather than the overall organizational change initiative.

Cross-functional teams. Members are from different functional departments, with some members from outside the organization. Cross-functional teams promote "interaction, cooperation, coordination, information sharing, and cross-fertilization of ideas," write Lussier and Achua.

Virtual teams. Members are geographically dispersed, requiring team meetings and actions through electronic means.

Self-managed teams. Members are cross-functional and have a wide latitude in making decisions and defining team responsibilities. Team leadership is often rotated depending on the task and required expertise.

Managing change requires a clear focus on key factors that can be identified and qualified as a change management formula for success. Change management consultant Rick Maurer, in his *Building Capacity for Change Sourcebook* (Ingram Book Company, 2000), offered the following formula by David Gleicher for "Successful Change" in organizations:

$$\frac{SD \times V \times FS}{Resistance} = C$$

SD stands for Shared Dissatisfaction; V is Vision; FS is First Steps; and C is Successful Change.

Transformational change often benefits most from a hybrid approach, such as a cross-functional, virtual team where communication channels are opened across multiple perspectives. Again, the purpose drives the structure and type of change management team.

USING EMOTIONAL INTELLIGENCE TO MANAGE CONFLICT

Organizational and team conflict are inevitable, perhaps more so during times of transformational change because of resistance to the change initiative. Leaders at all levels must understand that positive conflict drives innovation, communication, and team development.

A perceived lack of conflict may be an indicator that team members do not trust the leader and/or that complacency has become the team norm—members do not care if the change initiative and the team goals are achieved. It is the responsibility of the leader to handle conflict in a manner that is conducive to achieving the team goals and, ultimately, implementing the change initiative.

While large, high-impact changes most often are actively managed, smaller adjustments often have a direct impact on productivity numbers. Yet even the most minor change can create a negative impact on staff, further compounded by the number of changes or adjustments and the length of stabilization periods between change.

Organizational change can be intimidating, creating fear and concern in team members. The fear of the unknown, comfort in the status quo, concerns about relevancy after change, and concerns for the future are intimidating to workers and create a level of resistance. This resistance to change is demonstrated in various forms, such as decreases in output, attrition, transfer requests, infighting, sullen hostility, slowdown strikes, and, of course, the communication of functional and process reasons why the change will not work. Regardless of the scope of

change, there is always a subset of individuals who, intimidated by change, resist all attempts to transform their organization. Change resisters can be found at all levels of an organization and are often a product of previous change efforts in the organization.

Managing resistance is a crucial success factor for implementing organizational change. Recognizing the fears and concerns that resisters have provides an opportunity for greater insight and potential improvements in the affected processes. The aim is not to convert resistors, but rather to respect their opinions and bring to light the limitations in the innovation so that these issues can be addressed frankly and honestly, resulting in improved effectiveness of change. While converting every "resister" may not be a realistic goal, leaders who listen and understand the concerns vocalized may gain greater insight and potentially improve the vision for change based on issues identified giving voice to the concerns identified.

A first step to handling conflict is determining if it is functional or dysfunctional. Functional conflict is centered on achieving the team's purpose, goals, and objectives. It can be healthy and productive if managed effectively. The team leader should facilitate and encourage functional conflict. Dysfunctional conflict is a barrier to achieving team goals and objectives. It is centered more on personality differences, and it can cause significant damage to teams and the change initiative if not resolved. Both types of team conflict require attention from the team leader, who should encourage functional conflict and directly address and resolve dysfunctional conflict.

To effectively manage team conflict and change resistors, leaders and change agents must develop and apply the competencies of emotional intelligence. EI is "the ability to recognize and understand emotions in oneself and others, and the ability to use this awareness to manage one's behavior and relationships," according to Travis Bradberry and Jean Greaves in *Emotional Intelligence 2.0* (TalentSmart, 2009). Experiencing change is an emotional event for many, so assessing and developing emotional intelligence is a leadership skill needed to address resistance.

Bradberry and Greaves identify two emotional intelligence competencies—Personal and Social—along with four associated skills. Those skills are Personal Competency: Self-Awareness and Self-Management; and Social Competency: Social Awareness and Relationship Management. High-performing leaders continuously work to identify and improve their emotional intelligence competencies and skills as well as assess the emotional state of their teams. Recognizing the anxiety, concern, or stress in team members enables a leader to elicit information around a change and, where necessary, to modify the approach to change.

Daniel Goleman, Richard Boyatzis, and Annie McKee, in

Primal Leadership: Realizing the Power of Emotional Intelligence (Harvard Business Review Press, 2002), contend that in order to create effective communication and improve change results, "the leader has to pay attention to the hidden dimensions: people's emotions, the undercurrents of the emotional reality in the organization, and the culture that holds it all together."

Paying attention to organizational and individual hidden dimensions requires leadership to particularly focus on Bradberry and Greaves's Social Competency and the skills of Social Awareness and Relationship Management when engaged in a change initiative. Social Awareness, the authors say, is the ability of leaders to "pick up on emotions in other people and understand what is really going on with them... perceiving what other people are thinking and feeling even if you do not feel the same way."

This skill is particularly important in recognizing silent change resisters. Vocal and expressive resisters can be easily identified. However, the silent resisters are difficult to identify and, consequently, can undermine change initiatives through actions that may be unknown to the leadership. Developing Social Awareness facilitates the identification of these resisters and enables leadership to manage potential barriers to the change initiative.

Bradberry and Greaves say that Relationship Management, the second skill associated with the Social Competency of emotional intelligence, is the ability of leadership to "use their awareness of their own emotions and those of others to manage interactions successfully...this ensures clear communication and effective handling of conflict."

Successful organizations embrace change as opportunities to evaluate and improve process, procedures, and structures. These organizations look to their leaders to identify and support areas for improvement, open communication channels, positive and healthy conflict resolution strategies, and cross-functional development processes. The most effective leaders leverage their own emotional intelligence skills to provide a safe and secure environment that decreases the fear and concern associated with change by demonstrating their own support and through empathetic listening and opening the channels for communication that allow resistors to express concerns. AQ

Dan Jensen is an independent consultant specializing in strategic planning, leadership, education, and training. He is currently involved in Department of Defense training and education programs with General Dynamics Information Technology; Strategic Learning Consultants, LLC; and INTECON, LLC. Jensen is also a member of the Corporate Faculty at Harrisburg University of Science & Technology.

Mark Bojeun is a professor of project management and leadership and a frequent speaker on leadership, program, and project management around the world.

Michael Hoefflinger

Change at the Speed of FACEBOOK

BY CHRISTIANE TRUELOVE

AMA Quarterly had the opportunity to speak with Michael Hoefflinger, who helped build Facebook's worldwide marketing teams from the ground up. He is the author of *Becoming Facebook: The 10 Challenges That Defined the Company That's Disrupting the World* (AMACOM, 2017), the insider coming-of-age story of the seven years that turned Facebook from also-ran into $300 billion juggernaut. For *AMA Quarterly,* Hoefflinger detailed the lessons of change everyone can learn from Facebook and CEO Mark Zuckerberg.

What's the inspiration behind *Becoming Facebook*?

MH: The origin of the book was that the last time we had heard a big story about Facebook was the famous movie from 2010, which chronicled Facebook's very early years and ended at a point where there were still some doubts whether it was a real thing and if Mark Zuckerberg was a real leader, or whether the whole thing was just a way to connect with more girls.

What was happening in social media then is not nearly what it is today. Now, seven or eight years later, with Facebook being such a profoundly influential company—having four of the top 16 communications tools in the entire world; being a truly great business that's worth more than $350 billion; run by Mark Zuckerberg, who's now celebrated as one of the greater CEOs and certainly young philanthropists ever, and Sheryl Sandberg, one of the great chief operating officers ever and certainly a leading light in equality—it's such a profound change that I think we sometimes forget it wasn't always like that and it wasn't necessarily going to be like that.

The reason why I wanted to write the book is because I was at Facebook during those years, and saw up close how the way Facebook was built was really not an accident. So I was in a position to tell the story of how that happened. And not only clarify that—the "how did we get to this point"—but maybe extract some lessons for other entrepreneurs, businesspeople, even people just developing their careers who were very curious about how Facebook did this. I was very glad to be a part of that, very grateful. There was obviously something very special that happened there. To me, it's been a great journey to recollect that story and put it down on paper.

What are some of the memories that you wanted to share in this book, that you thought were particularly important?

MH: Well, I think it's really simple. The book tries to tell the story [that] Facebook's growth to this point was not an accident, and how that happened. It starts in the early days, with Mark Zuckerberg not selling the company to Yahoo! for a billion dollars back in 2006 because he had the real power and the vision to build something much, much bigger than that. It goes on to the unbelievable importance of features like the Facebook newsfeed, which we now recognize as one of the most important and influential media ever. It goes on to seeing how Facebook has figured out how to become a great business. And the most important decision it ever made was to put advertising in its newsfeed, especially its mobile newsfeed. The thinking and the conflicts that they had to go through, especially Mark Zuckerberg and Sheryl Sandberg, who led the business, to make that decision. People may have forgotten about that decision or have taken that decision for granted, but how did that happen? There was a great story there, so I try to tell that story.
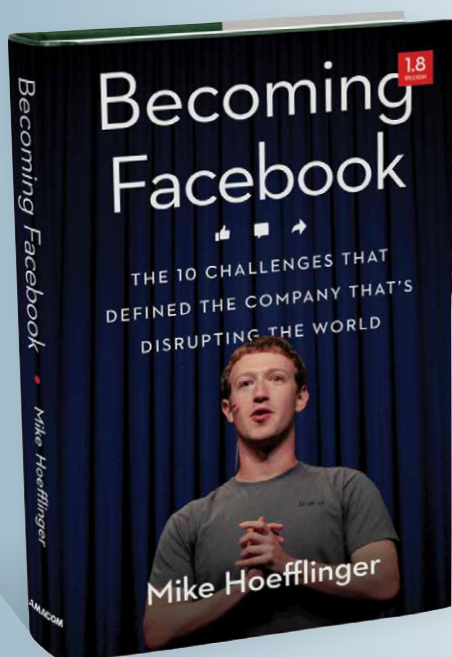
What Can We Learn from Zuck?

BY MIKE HOEFFLINGER

Watching Mark Zuckerberg, you're left wondering—as you would be with all *Time* magazine Persons of the Year—how you could possibly emulate him. It would be nearly impossible to learn to do *what* Zuckerberg does: vision and intuition are hard to coach.

We can, however, learn from *how* he does it. Zuckerberg is entirely, consistently, matter-of-factly committed to Facebook's mission. He is out to create change, not to prove himself right or others wrong. To do this—to really do this—you have to not only see a great destination, you have to fearlessly and imperviously keep walking toward it. You will look naive and even arrogant to outside observers, and you may be branded delusional—or even "socially dysfunctional" (thanks, Aaron Sorkin)— for appearing not to react to their signals. If you are able to shake off these judgments—and it *will* feel personal at times—you *may* be ready for the hard part, and the key to finding your inner Zuck: **doing is better than dogma.**

Even in 2012, there was so much enthusiasm for Facebook's $100 billion IPO, and then things didn't really go well at all—and not only on that particular day, because there were Nasdaq trading issues for months after that. How did Facebook recover from that very uncertain moment? How did it hold its nerves and keep focusing on building great products to recover from that? How did Mark Zuckerberg actually disrupt himself by having the forethought to acquire Instagram at a time when it had maybe 30 million users? Now it has 600 million and it's crucially important in Facebook continuing to evolve its business.

How did Facebook hold off an amazing concerted challenge from Google, when Google launched Google+ and Facebook was so much smaller of a company than Google? How were they able to hold that off? How were they able to win so often the talent wars in Silicon Valley? By focusing on people's strengths and allowing them to build things that are very, very big on top of Facebook's platform.

And even stories looking into the future: How does Facebook play long games that may be incredibly complicated, such as, perhaps, having a product in China in one point? Or maybe even succeeding in countries that are very difficult, such as Japan, which are very important to the business but hard to succeed in. How does Facebook think of doing all these things, and how is their success not an accident?

So, [I wanted to dig] down into all of those stories, and not just tell the story of Mark Zuckerberg, who so many now feel we know, and tell more about the people who build the infrastructure that makes Facebook operate so fast—the experience of when how we fire it up in the line at Starbucks, it's quick, which is so essential to how often all of us use it. They're the people who make sure your newsfeed is clean and well lit. They're the people building Facebook's newest services that some of us may not even know about. Who are the people helping Mark build a future that's hard for us to even imagine right now, such as virtual reality or augmented reality? Those are the people and stories that I wanted to surface. They make up the heart of the book, the 10 chapters and the key lessons that so many of us can learn from them.

Now that Facebook is breaking into newer territory, such as Facebook Live, what else do you see coming?

MH: One thing that Mark observed fairly early, Facebook itself wouldn't be anything but a way that people could share things with each other. But he also had the foresight to think, "Well, perhaps we'll need apps like Instagram," because that's a way people love to share very curated, very visual moments from their life, that was an important mechanic for Instagram. He wanted that to be a companion to Facebook.

Then he realized it was incredibly important to have messaging apps, such as Facebook Messenger, which is the homegrown app and has been extremely successful in the U.S., but also a messaging app like WhatsApp, which is

Although Zuckerberg is as passionate about his mission as anyone, he is not a preacher but a doer. Both inside Facebook and publicly, he prefers to show rather than tell. Since ZuckNet, with the original development of thefacebook.com, and ever since, he has done the work while others have watched or waited or done both.

To show Facebook employees what the "What would you do if you weren't afraid?" posters around campus mean to him, he took billions of dollars of risk to expand connectivity around the world, acquired Instagram and WhatsApp to protect Facebook's future after spending years building personal relationships with their CEOs, and occasionally failed publicly with products for which he had strongly advocated (here's looking at you, Facebook Home).

Although he is the recognized leader of technology's younger generation, he continues to seek out the leaders that came before him, meeting with Andy Grove about the will to execute, with Jeff Bezos about keeping your eyes on the long term, and with Bill Gates about effective philanthropy with tens of billions of dollars. Even though he structurally controls Facebook's board of directors, he still recruited challenging and highly opinionated thought leaders like entrepreneur, venture capitalist and software-eats-the-world evangelist Marc Andreessen; PayPal Mafia kingpin, venture capitalist, futurist and contrarian Peter Thiel; Netflix CEO and old-world television slayer Reed Hastings; and Don Graham, the former owner of *The Washington Post*.

To advance human potential, he doesn't just teach in Menlo Park primary schools. He and his wife (San Francisco pediatrician Priscilla Chan)—who were already among the most prolific and youngest philanthropists ever at the time—marked the birth of their first daughter Max in 2015 by pledging 99% of their Facebook holdings (worth $45 billion at the time) to their Chan Zuckerberg Initiative dedicated to driving equality and human potential in the world. It is one of the most profound philanthropic efforts ever announced—as if Bill and Melinda Gates had launched their highly impactful foundation while Gates was still the young CEO of Microsoft—and emblematic of Zuckerberg's learn-faster ethos and inclination to take a risk and determine the best future course sooner rather than later.

To mature into an industry statesperson, he has gone from being the teenager who made regrettable comments about user privacy that emerged in the Winklevoss trial and showed up at a meeting with venture capitalists in his pajamas to meeting with

even more successful and has been incredibly important in places like South America and many parts of Asia and the other half of Europe.

Those smaller, narrower, more private versions of sharing with each other and being connected were also really important, so we wanted to make sure that was part of Facebook's families of apps because it is consistent with Facebook's mission to make the world more open and connected. Those are now growing and they're incredibly successful, and over time they may even become the predominant way we share with each other. And then they will also build business models, the way that Facebook builds a business model on its newsfeed, for example. Those business models may be different. They may be much more about the ones that want interactions that businesses have with people rather than advertising, which is the business-related experience on Facebook. So that's an entire stream of activity that's incredibly important to people. It's incredibly important to Facebook, and they're putting an enormous amount of effort into not having just one giant version of that app, but actually having two to make sure that they've got that stage covered.

As you've said, video is an incredibly important medium. The same way that Facebook revolutionized the way we take, share, and consume photos—becoming far and away the number one way the world does that, and then doing it again with Instagram—it's doing the same thing with video. Our phones—these things that we have in our pockets and have with us every moment of every day, that are connected to everyone we care about everywhere, all the time—they're so incredibly capable of taking video and sharing video. That now, in Mark Zuckerberg's mind, is going to become the predominant way that we share, more important even than photos. So Facebook will do for videos what they did for photos, and do that in lots of different ways like Facebook Live, which gives us the ability to share in the moment with friends and also for media companies to share in the moment. And doing the job that's necessary behind the scenes to build the complicated infrastructure to make that possible.

The feeling now is that video, because it's such a naturally emotional and visceral media type to us, will become incredibly crucial. We see folks in Snapchat competing over how best to make that happen for people. And figure out how people will do that not only between each other but what kind of video will flow that's more commercially oriented, that's more professionally produced. What will that look like?

Is there a chance that the notion of television itself will change—from a medium that's dominated by 60-minute or 30-minute shows, whose origin comes from appointment-type television, where that started 50 or 60 years ago? Whether commercial television will be 7 minutes long, or 5 minutes long, or 3 minutes long, or 10 minutes long.

Chinese President Xi Jinping, speaking at the United Nations on global Internet connectivity and hosting Indian Prime Minister Narendra Modi, all within a few days in September 2015.

To broaden and deepen his perspective on the world in the middle of Facebook's historic rise to global influence, during his 2015 A Year of Books, he read a book every two weeks (including the likes of Vaclav Smil's *Energy: A Beginner's Guide,* Daron Acemoglu and James A. Robinson's *Why Nations Fail,* Michelle Alexander's *The New Jim Crow: Mass Incarceration in the Age of Colorblindness* and Daryl Collins, Jonathan Morduch, Stuart Rutherford and Orlanda Ruthven's *Portfolios of the Poor: How the World's Poor Live on $2 a Day)* and actively discussed them with the nearly 700,000 followers of the project.

To get closer to both his own extended family—Chan's grandparents are Chinese—and the culture and business of the world's most populous market, he spent five years learning Mandarin and then used it in conversations with Chinese politicians and for entire lectures at Tsinghua University in China where he is a member of the Advisory Board of the School of Economics and Management.

To show why he felt the new Facebook Live video product was so valuable, he hosted the likes of President Barack Obama, comedian Jerry Seinfeld and the astronauts of the International Space Station on his own Facebook account—with its 70 million fans—and got more viewers than the vast majority of television shows.

And to face his discomfort with public speaking, he instituted in 2008 a weekly company-wide Q&A—he prefers the hard questions—which to this day remains the heart of Facebook's culture.

Just when we thought Steve Jobs' famous reality distortion field would be the standard by which all future change-makers would be measured, Zuckerberg offers us an approach that may look slightly awkward to the average observer but gives up nothing to Jobs in its effectiveness. Zuckerberg's *doing* does more for getting what he holds dear to jump from him to others at Facebook—and beyond—than any keynote. His Facebook is less a "cult of personality" (he is no Jobs, Oprah Winfrey or Bill Clinton) reliant—and waiting—on a single person than it is a "cult of mission" where employees (down to the intern shipping code for a hundred million users in her first week), partners (entire new media companies like Vice and Buzzfeed have been built on Facebook's distribution) and users (from Egyptian

Is this something way beyond what Facebook is, or even what Netflix is. Is this something that's emerging there because of the devices we have in our pockets, that way that content can be created, and then the means of distributing that very fluidly on platforms like Facebook? I think it's going to be incredibly fascinating to watch here, all the players that are participating and Facebook at the center.

This issue is about change and change management, and it seems to be at Facebook, there is no fear of change. What is the lesson that Facebook can teach executives and managers on the subject of change and how to handle it?

MH: Before a leader like Mark Zuckerberg began to teach us lessons about how to handle change, I think he actually first went to school on the lessons of the previous generation in Silicon Valley—very famous leaders such as the former Intel CEO Andy Grove, who made that company so successful in the '90s. He wrote a very famous management mantra in Silicon Valley, "Only the paranoid survive" [and also wrote a book, *Only the Paranoid Survive: How to Exploit the Crisis Points That Challenge Every Company* (Doubleday, 1996)]. Many people in Silicon Valley are students of that book, including Mark, who interestingly enough is almost two generations removed from Andy. He really went to school on that book, where you really have to stay on top of what is new. Another way to say that is, you really have to stay on top of what people want and need and how they consume those

activists to Vin Diesel and his 100 million fans to Southeast Asian microbusinesses reinventing commerce, and from the joy of Chewbacca Mom to the profound fear of Diamond Reynolds) can see Zuckerberg's example and feel not only part of a community but like they can make contributions that may change the world.

Mike Hoefflinger is an executive-in-residence at XSeed Capital. He has operated in Silicon Valley for 25 years as a builder, marketer, speaker, and advisor. He currently advises XSeed portfolio companies on overall B2C and B2B2C strategy, go-to-market approaches, and consumer insights. Over the course of six years, he shaped Facebook's global marketing teams in support of its $12 billion-plus advertising business, including positioning, branding, marketing communications, design, events, vertical marketing, partner marketing, and consumer insights. Prior to Facebook, he served at Intel, where he headed the Intel Inside co-operative marketing program worldwide and also held roles as Andy Grove's technical assistant, consumer marketer, and engineer on the original Pentium processor.

"Doing is better than dogma. You don't think too much and too long, or don't negotiate too much and too long, about what the next thing is that you want to try. Instead, you build that next thing and then see how people react to it."

things. Now Mark has a front-row seat to seeing how people really do that, by virtue of the enormous amount of data that Facebook receives every day.

I think what he is now teaching us—and this started from the very beginning, even when he was a preteen beginning to get involved with computers—is that doing is better than dogma. You don't think too much and too long, or don't negotiate too much and too long, about what the next thing is that you want to try. Instead, you build that next thing and then see how people react to it. If you go back to the very earliest days of thefacebook.com, the old Facebook, which is forgotten about now, Mark decided that Harvard wasn't moving fast enough in taking the old Facebook with the actual pictures and moving it online, so he simply said I'm going to build this. That was the origin of TheFacebook.com. He built it, sent it to a few friends, and they sent it to a few friends. Within a few days, the vast majority of Harvard was on this system. And looking at the system, Mark began to understand, "People are using this over here, people are spending a lot of time going to people's profiles, and looking at what's happening." But then people were constantly running around to each other's profiles to see what was new. And so eventually Facebook said why not a newsfeed, because they were able to observe what was happening.

You still see that behavior now. Of course they're planning and thinking about the future; in some ways, that mission will never change. Making the world more open and connected is still what they are going to be doing 25 years from now. How that happens is a matter of doing and seeing how people are reacting to it. Because the nature of building things in digital is that it is very inexpensive, relatively speaking. You're not building a physical thing, you're building a digital thing. So the cost is not taking action. The cost is not putting something out there that

> "Instead of attempting to predict perfectly what people will like, you put out something that is 'This is what I think you want,' and then allow people to react by virtue of their behavior. Pay attention as closely as you possibly can to what they are doing and then adjust further."

people can react to so that you can understand what parts of it they like and what parts they don't like.

The entire chapter on Instagram, for example. Very few of us know that Instagram started as something completely different. It was called Bourbon, and it was a location-based service that was struggling to compete with other services of that kind back in 2010. CEO Kevin Systrom and his engineering partner, Mike Krieger, realized that it wasn't working. So they pivoted to narrow that insider service just down to the act of sharing photos and making that a very beautiful and very simple experience.

That is a perfect example of doing, not overthinking. You've got to plan, you've got to think about what people might want, but then you have to put it out there. You try it, and then you move forward. Sometimes that can be difficult for the ego, because you may put out something that is not very popular. But you actually have to be confident that it will get you one step closer to the thing that will be popular. So many folks on Facebook are teaching so many of us that, especially in the digital universe, you go out and you build, and you have that inclination to build and move quickly. Instead of attempting to predict perfectly what people will like, you put out something that is "This is what I think you want," and then allow people to react by virtue of their behavior. Pay attention as closely as you possibly can to what they are doing and then adjust further.

In the chapter about Facebook versus Google+, what are the lessons you think that readers can learn about handling challenges and handling how to react to challenges?

MH: Looking back at it now, there were two very important

things that happened at that time, when Google began to think about building Google+ in 2010 and it launched in 2011. What's important to understand at that time, especially in a system that is a network of people, in the way that people connect to each other, you have to understand where people are connecting already. What is your competition's success with people?

There's a very famous construct, in the adoption of any technology—and this goes back to research from the '60s and even before that—that if you can get to about 16% of people using a particular product, you have successfully crossed into the early majority of that space. You have built a product that is being adopted by people who are pretty pragmatic about things. They don't jump on the first new shiny thing. And amazingly enough, this is as true for consumer technology as it is for very simple things such as crops to plant. And societies and people in general behave in this same way. If you can understand how you're doing in terms of consumer adoption, if you can get to that magic 16% line, you'll know you're onto something. At the same time, it may be difficult for somebody else to compete with you if they are building essentially the same thing.

In some ways, Facebook was on the good side of that chasm and Google was on the bad side. Facebook knew that, and what's interesting if you look back at Zuckerberg's leadership at that time, is that he didn't overreact to the threat of Google+, very specifically that product coming after Facebook. Facebook kept focused on and kept building all the things that were working—the better photo-sharing product, the better messaging product, a better mobile app. And these were the early days of mobile. They made sure that the basic things that made Facebook so successful continued to be the things that Facebook did best. And it turns out that Google was aiming behind the puck. They were aiming, in the way that they built Google+, for something that was fairly identical to Facebook, which was a space that Facebook was already successfully occupying in the hearts and minds of consumers.

So Zuckerberg was vigilant, but not panicked. If you look back at what he did—and importantly, didn't do—at that time, most of those pieces were important in competing against a much larger competitor, if you count employees, revenue, and so forth. It's an interesting story in being active, yet confident and not panicked.

If you look back on it, it may be overly simplistic, but you go to where your friends are. And Facebook had the majority of the momentum in that way. That's not to say that you can't build a product that's very competitive to Facebook. But if you are building a very similar thing, for very similar people, then you're subject to having to deal with this consumer adoption question. Which side of the 16% are

you on? Clearly Google+ was on the low side. They were the newcomer. Facebook was on the high side.

If you now look at, for example, Snapchat, they've clearly built a different product, which is concentrated on a little bit of a different audience. It's very, very rapid sharing, and it's especially popular with Gen Z and the younger Millennials. It's centered around taking pictures and when you fire up the SnapApp, it's in the camera. So you can build something that audience wants to use, and that audience is also users of Facebook. The point I'm making is not that nobody can compete with Facebook, but if you chose the strategy that Google+ chose at that time, which was to build something very similar, then you'd be subject to these forces. Google+ was not simply better, so you're staying with Facebook, which is where your friends already were.

When it comes to facing change, it's quite obvious that Facebook has never been afraid of facing change. What's the balance between not being afraid of change, but instituting change for the sake of change?

MH: In some ways, one thing Facebook has done incredibly well internally, there is one thing that hasn't changed literally from day one—its mission, which is making the world more open and connected. And it's something that everyone with Facebook already knows and understands. It's the reason they are there—whether they are an attorney who works in the legal department, or an engineer that writes code, or a marketer who's marketing the service to advertisers. No matter what role they play at Facebook, they are there to pursue that mission. And that mission is going to remain incredibly constant, and that's an important foundation that you have. Otherwise, you're simply scrambling all the time. And that's very dangerous.

We always talk about how we have to be ready for change these days, but if you're looking at something very distant, a goal that you may never reach—the achievable-unachievable mission, missions that to their fullest extent aren't completely possible—you can have little successes along the way that make you confident, that make your employees confident, that make your customers confident, that tell you you're headed in the right direction. If you stay constant to the larger goal that you have, within that, you don't have fear of change. And if you have the benefit of here, at least, the entire Facebook universe and the information that they receive about what's important to them. If you have an indication that something like Instagram might be very important to people, then you take a step.

It seems logical now, but at the time when Zuckerberg acquired Instagram, which was completed over the course

"It seems logical now, but at the time when Zuckerberg acquired Instagram, which was completed over the course of a weekend, he was very unafraid to make a billion-dollar offer to a company who at that moment was only worth $500 million."

of a weekend, he was very unafraid to make a billion-dollar offer to a company who at that moment was only worth $500 million. He repeated that scale when [Facebook] realized how important it was to have something like WhatsApp, a service that even at that time was serving 400 million people. He was not afraid to sit down with WhatsApp CEO Jan Koum to make a $17 to $18 billion offer. *[Edit: WhatsApp was acquired in February 2014 for $19 billion.]* These are very high levels of investment. But Zuckerberg was not afraid, and as I've mentioned in the book, has structured the company in a way that he can make those decisions and make them quickly.

But what we're not seeing is Zuckerberg being all over the map. We have not seen him spend billions to acquire television content because that is not obviously connected to the mission. And if you look at the two players, Google and Facebook, both are pursuing things to take them deep into the future, often called moonshots around here. But Zuckerberg's feeling is that his moonshots are always very consistent with that notion of making the world more open and connected…. While I think Mark has an enormous amount of respect for Google, sometimes you look at Google's moonshots—like in healthcare, and some people feel a little torn about where autonomous vehicles fit in Google's moonshots—you see Google paring back some of those moonshots and becoming more focused.

To your point, what are those moments when you need to change, and what are those moments you don't want to change? If you are 100% clear and focused on your mission, you can always look at the things in front of you and make decisions on what to consider and what not to consider. AQ

Organizational Change Management Won't Close Our

ENGAGEMENT GAP

BY BILL SANDERS
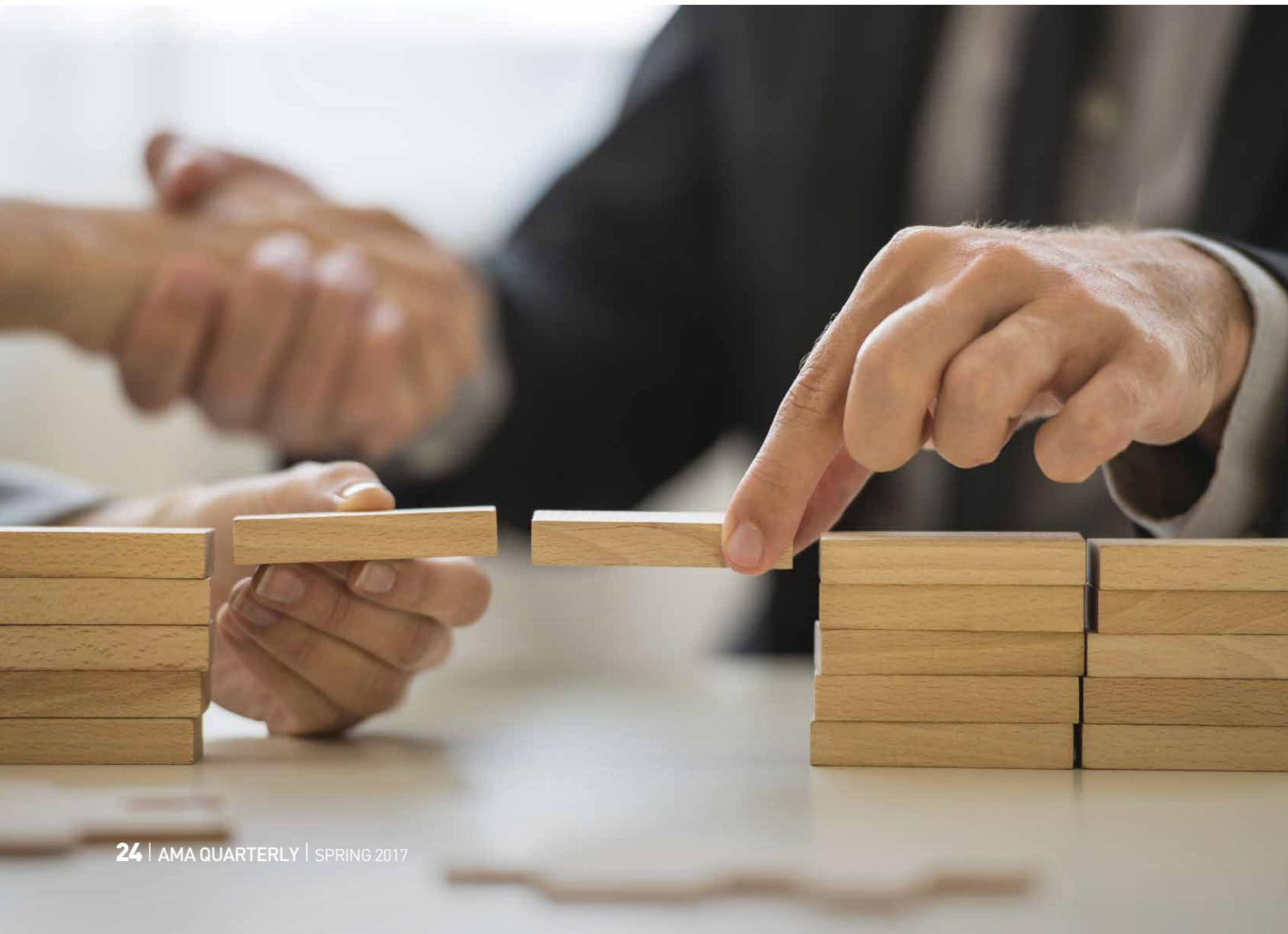
From the C-suite to frontline managers, the only constant in today's organizations is the exponential rate of change. Innovation is disrupting vast swathes of industries that were formerly stalwarts of consistency.

Remaining competitive in this new economy requires more than just adapting to new megatrends. Staying competitive demands that we also solve for the human side of the equation.

Paul Zane Pilzer, in *Unlimited Wealth: The Theory and Practice of Economic Alchemy* (Crown Publishers, 1990), points us to the Brookings Institution's definition of the technology gap as that "between the best production practice possible with current knowledge, and the practice in actual use." Closing organizations' technology gap relative to the new megatrends is critical and necessary, but it will not be sufficient.

Gallup's State of the American Workplace report concludes that "70% of American workers are 'not engaged' or 'actively disengaged' and are emotionally disconnected from their workplaces," and that "only 22% of U.S. employees are engaged and thriving." To stay competitive, we are going to have to close the engagement gap as well.

In this article we address three things about the engagement gap in the face of change: 1) the metatrend underlying almost every current megatrend; 2) the key characteristics that support organizational adaptability and resilience in the face of accelerating change; and 3) recommended initial steps to begin establishing an environment of "change cultivation."

MEGATRENDS: TURBULENCE IS THE NEW BLACK

From the boardroom to the shop floor, leaders are wrestling with the impact and potential impact of many megatrends that threaten their market share, profit margins, and ability to recruit and retain talent.

Robots are reducing the need for employees in warehouses. Social media has done an end run around traditional marketing, and brands no longer control their narrative. As a result, the only control a company now has over its brand is the quality of the product and service it delivers.

The ubiquitous proliferation of mobile phones allows for apps that can disrupt century-old industries practically overnight, as Uber and Airbnb have demonstrated. And yet, these same trends are teeming with opportunity.

In addition to the effects of robotics, social media, and mobile, we are experiencing the unsettling impact of A.I, IoT, blockchain, Big Data, digital currency, globalization, self-driving automobiles, and the collaborative/sharing economy. And we aren't even addressing the social and political trends that will have to be taken into account. The speed of change and disruption can be disorienting, especially when it comes to the impact of all these technologies.

Consider a single industry in relation to just one of these megatrends. Jeremiah Owyang of Crowd Companies called my attention to a March 13, 2016 *Fortune* article claiming that today's cars are parked 95% of the time. This means that 95% of the time, the average car is idle. Think of the impact if the rise of the collaborative economy takes just 10% of cars off the road. This shift will not only affect auto sales. It will change the entire automotive ecosystem: gasoline sales, gas taxes, insurance, automotive repair, towing, aftermarket accessories and parts, and more. Add in the move toward automation and the impact on the automotive industry is even greater, as Owyang outlines in his January 2017 post, "Automation Is the Next Phase of the Collaborative Economy."

Even back-of-the-napkin numbers suggest that the loss of revenues and jobs will be significant if not staggering. How much more disruptive will it be if the impact is 20% or 50%? And how much disruption will we see from all these megatrends?

All this disruption is not inherently harmful. As a whole, we'll all be better off. We'll be able to get where we need to go without the expenses of owning a car. But there will be winners and losers. Just as with free trade, these trends have the ability to improve our individual economic lives by reducing costs, but they also can lower or eliminate the demand for our individual skill sets. The result, either way, is that these trends are introducing a significant level of economic anxiety throughout the enterprise and workforce.

Business leaders today are under tremendous pressure to perform to yesterday's quarterly profit expectations while simultaneously negotiating the current economic realities and charting a course for future growth. Where do we focus? How shall we change? Where do we invest and divest? How do we take advantage of all these new trends? And how do we manage the necessary changes throughout the organization?

Before we address the topic of organizational change management, however, let's examine what I believe to be a chief metatrend that is at the root of our current situation. Understanding the impact of reduced transaction costs will help us identify why we need to begin cultivating a working environment where change is the norm and everyone has the opportunity to contribute at his or her full potential.

METATREND: ADVANCEMENTS IN TECHNOLOGY ARE DRIVING DOWN TRANSACTION COSTS

Ronald Coase won the Nobel Prize in Economics in 1991 based primarily on two essays. The first was "The Nature of the Firm," published in 1937. This essay is most pertinent to our discussion because in it he identifies transaction costs as the key driver in the formation of a firm.

In summary, firms are formed when the "organizing costs"— that is, the costs of organizing and running a company—are less than the transaction costs of negotiating and contracting with other entrepreneurs to produce the same product or service.

I believe that if you look at any of the emerging megatrends discussed above, each can be traced back to the fact that technology is driving down transaction costs so rapidly. The combination and interaction of these trends are shifting the balance of information flow, and thus power, from the traditional corporate hierarchy to the emerging connected network of employees and end users.

And that brings us to the two unspoken assumptions that are core to organizational change management and that are rapidly rendering it less effective.

The first implicit assumption of change management is that the change we are attempting to manage comes from the top. The second is that we can dictate the change in a world where the informal company network is rapidly becoming stronger than the corporate hierarchy.

These assumptions are the residue of Frederick Taylor's "scientific management" approach, which primarily views and treats leadership as the brains and workers as cogs in a machine. With this as one of the fundamental foundations of the modern organization, is it any wonder that Gallup reports that 70% of our workforce is disengaged?

Our employees collectively know more than we do, are closer to our customer, and carry the burden of executing the quality of service and product on which the brand is now dependent. To remain competitive, it is imperative that we build cultures where they want to be engaged and contribute. Organizational change management, at its best, motivates with enlightened self-interest, and at its worst through coercion. What it can't do is produce engagement.

In my experience in working with the leaders of organizations across the B2B and B2C spectrum, organizational agility is predicated on individual adaptability and on the strength, trust, and speed of the informal network.

KEY CHARACTERISTICS THAT SUPPORT RESILIENCE

At a recent Owners' Edge Forum breakfast, we asked the attendees to come up with the characteristics that they felt most defined owners who were thriving in a turbulent economy. In ensuing conversations with clients, we expanded the list, and I confirmed that these characteristics were also the same qualities they sought in the hiring process. These individuals:

- Have clarity around their individual purpose and direction in their role

- Are willing to invest in themselves and their teams to grow

- Take the initiative to obtain the support and resources they need

- Are making demonstrable progress toward their objectives

- Are resilient and willing to persevere in the face of difficulty

- Are relentlessly customer-focused

- Evidence a high degree of optimism

- Embrace uncertainty as opportunity

- Have a high tolerance for ambiguity and risk

- Rapidly adapt to change

- Show a high level of flexibility and inquiry

- Are self-aware and willing to acknowledge what they don't know

- Are confident in their judgment

- Demonstrate a high degree of social and emotional intelligence

This list represents a high bar indeed. It represents the qualities most often described as entrepreneurial. What would it be like to have an organization full of people who exemplified these characteristics? What would the benefits be of having a company populated with such leaders?

We know from experience that even moving the needle in the correct direction on a few of these characteristics has produced the following results:

Increased:

- Customer satisfaction and loyalty

- Employee engagement and satisfaction

- Speed to market

> "Our employees collectively know more than we do, are closer to our customer, and carry the burden of executing the quality of service and product on which the brand is now dependent."

- Collaboration and morale within and across departments
- Productivity per employee
- Sales
- Profit margin
- Innovation

Decreased:

- Failure/correction work
- Employee turnover
- Training expenses

These are exciting results for any owner or C-suite member. But a more difficult question is this: If you suddenly had a team that acted more entrepreneurial, how well would your systems, processes, and culture support them? How long could you retain them? What would they expect besides a paycheck and how would you deliver it?

CREATING AN ENVIRONMENT OF CHANGE CULTIVATION

Technology will continue to drive down transaction costs. Your organization will continue to face new competitive pressure from startups that have the advantage of a lower cost of entry. And while you will have to continue to close the technology gap, closing the engagement gap is now an economic imperative as well.

There is also, I believe, an equally important moral imperative. Make no mistake, closing the technology gap is going to put a lot of people out of work. Gains in efficiency are going to mean higher productivity with fewer employees. As leaders, if we are going to ask for our employees' brains and hearts

as well as their hands, we are going to have to step up and own the responsibility of transferring skill sets to them that will serve them long after they leave our employ. We must be responsible for cultivating "entrepreneurency," to coin a term, within our organizations.

It is heartening to see that executives across the board are coming to the conclusion that they must address this issue. As Chuck Blakeman, founder of Crankset Group, writes in Inc., "A stunning 92% of companies want to reorganize this year." Unfortunately, many of them, in my experience, will attempt to do so using the same mental models of the past.

Here are three steps you can take to avoid that trap:

Accept your new role and begin to self-educate. Whether you are a CEO or a line manager, you can't manage your way out of this. You're going to have to lead your way out. Engendering these characteristics into the workforce will require a move toward influence over direction, and respect and empowerment over command and control. It will require accepting that work is fundamentally a social experience.

The good news is that these are not new ideas. Firms like the Morning Star Company and W.L. Gore & Associates have been operating as self-managed organizations since their inception. Mary Parker Follett was writing about the need to move in this direction at the turn of the 20th century. Books, organizations, and case studies abound. A great place to start, or continue, your self-education is at Great Work Cultures' Doug Kirkpatrick's "Interactive Periodic Table of the Future of Work" (found at http://opencolleague.com/app/webroot/periodic-table/). It is an invaluable repository of many tools, organizations, and thought leaders in the space.

"We live in a dynamic point in human history, and ideally we should all look forward to **engaging** in our work every day."

The bad news is that there is no single recipe for implementing these changes. You have to dive in and begin.

Listen and accelerate communication. In *Unlimited Wealth,* Pilzer wrote: "The speed at which technology advances is primarily determined by the speed at which we exchange and process information." The speed at which we exchange and process information internally also directly impacts how quickly we innovate and how quickly we receive early warning of marketplace changes.

Get out of your office. Spend a day in the field. Visit a customer and see firsthand how your product or service is being used. Ask a Millennial for reverse mentoring. Look for ways to strengthen and amplify the network within your company.

Schedule some time at the next company meeting for an employee to share something he is excited about learning or to present a solution he has developed. With public support, others will naturally want to step up and be acknowledged by sharing as well.

The important thing to do is listen. Give employees with suggestions the space to try their solutions and then reward them for their behavior, for being engaged and trying something, regardless of the outcome. Between learning and listening, ideas will begin to percolate and take shape. When they do, you have to be ready to support them.

Create white space to experiment. When we work with new clients, we can usually find 10 to 15% capacity just from putting cross-functional teams in the same room and having them identify where communication, processes, and procedures could be streamlined. Not only does this improve speed, performance, and quality, it also provides the time necessary to begin experimenting with no additional capital outlays.

Leverage the success of the streamlining by having the same cross-functional teams prototype new ways of working. Horizon Media, the world's largest privately held media agency, promoted Taylor Valentine to the role of chief invention officer in the fall of 2014. With just over two years in the new position, Valentine reports that 68% of Horizon's 1,400 employees, 70% of which are Millennials, participated in the company's seeding entrepreneurship program.

Here is Valentine on what it takes to engage Millennials: "First, you have to start from the perspective that Millennials have huge potential. Second, you have to understand their POV and expectations. Millennials want to be part of something bigger than themselves, to make visible progress in their career, and to learn and grow their perspective. They also want a boss that will take an interest in them as a whole person and help unearth their full potential by allowing them to explore and experiment.

"Furthermore, we have to stop talking about them like they are lab rats; enough with the generalizations. Business needs and personal passions can be addressed in the same experience, and if we want to prepare them properly to be the next generation of leaders, we can only do it by leading them."

Valentine's perspective holds true for more than Millennials. If we are honest, we all want those same things.

Whether you decide to begin an initiative like Horizon or establish an innovation lab, creating the white space to experiment and prototype new ways of working is one of the fastest and most effective ways to see what will work in your company's culture.

Two words of caution as you continue your journey. First, don't start asking questions and involving your team if you aren't going to take action on and communicate your learnings. Nothing breeds cynicism like hope dashed. Second, wholesale changes to existing cultures rarely work out well. Read up on what is working for the most innovative organizations and look for the common principles and ideas, and then translate them into your organization at an acceptable pace.

We live in a dynamic point in human history, and ideally we should all look forward to engaging in our work every day. Creating work environments that cultivate change, innovation, growth, and engagement is a noble undertaking. And thanks to decreasing transaction costs, it's no longer optional.

This is not simply about flipping hierarchies and becoming faster. It's about changing the way we see ourselves and the people in our employ, doing away with the top-down and dictatorial points of view that undergird traditional organizational change management and creating new ways to work that help close the engagement gap. AQ

Bill Sanders helps leaders and organizations adapt and excel in the face of uncertainty. He is the principal and managing director of Roebling Strauss, Inc., an operational strategy consultancy in the San Francisco Bay Area. He is a C-Suite Advisor and writes a monthly column on culture for the Huffington Post.

The Untapped Potential of CHANGE MANAGEMENT

Only 30% of change management programs succeed.[1]

Only 25% felt change management gains were sustained over time.[2]

40% said change management initiatives alone were responsible for **ONE-THIRD of FINANCIAL GAINS** in the 9 months after launch.[3]
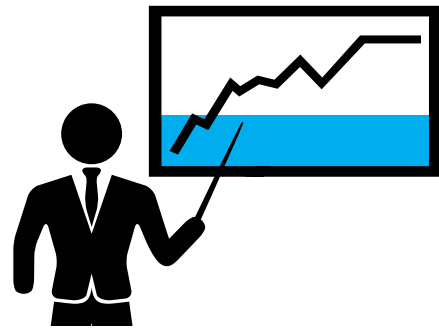
For every **US$1 BILLION** invested in the United States, **$122 MILLION** was wasted due to poor project performance.[4]

LEADERSHIP + COMMUNICATION SKILLS are cited as critical to change management.[5]

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[1] www.slideshare.net/aipmm/70-26633757
[2] www.forbes.com/sites/victorlipman/2013/09/04/new-study-explores-why-change-management-fails-and-how-to-perhaps-succeed/#6247565d5219
[3] www.isixsigma.com/regional-views/europe/uk-study-change-management-reaps-high-roi/
[4] www.pmi.org/-/media/pmi/documents/public/pdf/learning/thought-leadership/pulse/pulse-of-the-profession-2016.pdf
[5] www.coachingforchange.co.uk/latest-news/change-failure-reasons.html

Meet Change with
RESILIENCE
and
AGILITY

BY RICHARD CITRIN, PhD

As a senior manager, John wanted to be completely supportive of the announced acquisition of his company, which had been rumored for months.

Although he didn't have any details, he reassured his team that information would be forthcoming and that this event, while challenging, would turn out well for everyone. He said it, but he wasn't sure he believed it.

A few days after the announcement, John received an invitation to meet with his new manager and peers at the acquiring firm's corporate office. John approached the meeting with an attitude of making the transition completely successful. He recognized that there would be duplication of staff and services, that policies and procedures would be altered, and that some operational approaches to the business would require different leadership messages. His new team's first meeting got off to an awkward start when he walked into the conference room. There were literally (and figuratively) not enough seats at the table for everyone on the new team. While he and a few others scampered to bring in chairs, John's new boss chuckled about the situation. Everyone kind of laughed, but John certainly did not think it was that funny.

When John returned to his office, he met with his team and reported on the day's events. He said that while he could not really tell how it all would work out, he wanted to assure everyone that he was hoping for the best. He listened to his team's concerns and validated their apprehensions, while not allowing them to "catastrophize" what might happen in the next several months. That night, neither John nor his leadership team slept very well.

THE IMPACT OF CHANGE

Everybody knows about change, but no one knows what to do about it. Change is stressful, and we've not equipped leaders with skills or effective models for addressing the psychological impact of change in the workplace. Mostly we tell our employees to hang on and tough it out, that good things will soon happen. We assure them that they can manage the stress of change, but we often find out that for many employees, including leaders, it is easier said than done.

As an organizational psychologist, I must bear some responsibility for falsely helping people to believe that somehow they can manage stress. Unfortunately, the stress management model, which we have been teaching people for more than 70 years, is fatally flawed.

It is biologically impossible to manage stress. Consider, for example, what happens when you drop your pen and it falls to the floor. It does so, of course, because of gravity. Gravity

is what is known as a physical imperative. You do not control gravity. Gravity controls you.

In the same sense, the stress reaction is a biological imperative. If a crazy driver on the freeway cuts you off, your body automatically responds with a full stress reaction that includes rapid heart rate and breathing, tense muscles, cold and sweaty hands, and myriad other symptoms. You cannot keep this from happening as your body automatically responds to the stress event. So the idea that we can somehow manage all that is absurd.

When change happens in the workplace, the same kind of fight, flight, or freeze response that occurs when that car cuts us off forces us to react in much the same way. In fact, it could be even more difficult in the workplace as we create our own doomsday scenarios that only exacerbate the real-world challenges and stressors we are facing.

TAKING CHARGE

When I met with John a few days after the meeting, he told me that he was pretty unnerved. Though he wanted to be positive and hopeful, he was not sure about the best direction to take for himself and his team. Should he sit back and wait to see what played out? Or should he be assertive about positioning his group and work to find a place in the new organization?

I mentioned to him that the three Cs of psychological resilience could help his team make that transition. These three dimensions, identified by psychologists Salvatore Maddi and Suzanne Kobasa, are commitment, control, and challenge. For John, applying the three Cs would mean building commitment among team members, giving them as much control as possible, and challenging them to work on something that creates new and inspired thinking. Providing John with one way to begin thinking about resilience and agility gave him an approach that he could use for himself and his team. After a bit more discussion, John decided that his best step would be to take action and not to sit back.

John began formulating a plan that he could enact quickly to demonstrate the kind of value his group could bring to the enterprise. He met with his team and told them that he wanted them to formulate a proposal to take to their new boss. He assigned responsibilities for an analysis that identified the strengths and weaknesses of each firm's resources, and where gaps existed. He asked others to develop project ideas that could be brought from his firm

into the new group and identify the revenue potential of those projects for the merged enterprise.

The team prepared a preliminary document and John shared it with his manager, who liked what he read. John returned to his office excited. He told his team that their new boss had assigned them the task of building out the proposal by examining their ideas against current industry trends, resourcing and analyzing the merged companies' best products and practices, and building relationships with their new colleagues across the enterprise. John quickly saw that the involvement of his team in a new project was moving them past their feelings of frustration and fear and into action and enthusiasm.

BUILDING RESILIENCE AND AGILITY

Our normal biological response to change is to fight it. We seek balance and routine, and the more we can keep our lives stable, the better we feel. Unfortunately, change is happening at a more rapid pace now than ever, and finding tools to adjust to change is critical to both business and personal success.

Resilience and agility represent two skills that can help us shift our thinking to a more effective way of dealing with change. Both attributes represent two sides of the same coin, which has been referred to as "adaptive capacity." Adaptive capacity relates to how much energy and strength we need to effectively address challenging, changing, and adverse situations.

Resilience is our ability to quickly and effectively recover from a challenging situation. Resilience requires that we reprogram ourselves so that the automatic stress response does not overwhelm us and we are able to respond to that situation effectively. While the mechanics of resilience may include everything from developing an optimistic orientation to managing our personal energy, the essential key to resilience is to find the growth opportunity that comes out of the challenge we are facing.

Agility is our ability to move quickly and decisively and to do so with some ease and comfort. Agility translates to an ability to remain calm and productive during changing times, to seek out information where it is available, and to act on opportunities even when you don't have all the data to mitigate all risks. Rapid prototyping, where you try out a particular idea to see how it works and then modify it from there, is one example of organizational agility.

Teaching people the resources of resilience and agility is a popular topic these days in training programs. These efforts do begin to shift the "mindset" of employees away from the victim mentality that often accompanies our stressful workplaces. More important, however, is for managers and leaders to model the behaviors of resilience and agility so that their teams gain confidence during a change process that their leader is effectively reacting to the challenges confronting everyone.

DELIVERING THE GOODS

When John shared his report with his manager, he already knew how he would approach this critical next phase of discussions. His team formulated several scenarios where there were significant growth opportunities for the merged entities. John's presentation was full of data-driven findings, actionable recommendations, and organizational processes and structures that would create immediate efficiencies. Perhaps more important, he shared his findings with a passion that was contagious. John had turned his own worries and his team's anxiety into an excitement that had him and his team mobilized.

John's boss was impressed by the report and energy that John brought to the project. He shared with him that he was the only one of his new peers who had initiated a project idea. Others had been asked to take on specific projects, but no one had stepped forward to look for ways to build synergy across the new entity. He sent John home with a promise that he would review the findings and get back to him soon with the next steps.

"Adaptive capacity relates to how much energy and strength we need to effectively address challenging, changing, and adverse situations."

> "Agility translates to an ability to remain calm and productive during changing times, to seek out information where it is available, and to act on opportunities."

The next meeting was a few weeks later, back in that same conference room. But this time it was just John, his manager, and his manager's boss. They told him that they were realigning divisions within the newly organized firm, and they wanted John and his team to take on the project ideas they had proposed along with several other key projects—and that his team would double in size. When John returned to his team, he was able to report that their willingness to take on the challenge and commit to the new enterprise was being rewarded. Now they could begin to undertake the real work of helping the merged companies be successful.

RETURNING TO BALANCE

Change is disruptive. In the face of it, everyone strives to return to a normal state of balance. This natural tendency is referred to as homeostasis. The challenge in a changing environment is to see how the change can be used to take your team and organization to a more productive and effective level of operation and productivity.

In John's case, he applied several key resilience and agility principles:

Accepting and honoring his own and his team's reactions to the announcement. John didn't try to sugarcoat the concerns people had about the changes that might come with the merger, but he also did not endorse their worst fears. Change is hard, and leaders have to allow people to have their fears and concerns before they can move forward to look at new possibilities. Giving people this security is what allows their natural resilience skills to kick in.

Creating a change-ready and positive mindset. A key aspect of resilience is to recognize that our true natural tendency is to move forward and not languish in no-win situations. Being able to vision a path forward when others may be stuck in the past is a vital skill for any leader. John's simple decision at our meeting to take charge created a resilient opportunity for him. Seeing disruptions in the workplace as an opportunity for personal and professional growth immediately gave John the extra burst of energy he needed to build his plan.

Shifting the team's thinking and behaviors. It wasn't enough for John to be thinking differently if he could not get his team to do the same. John's directive to his team to focus on researching and developing a proposal forced them to begin acting differently. There was no time to sit around and wallow in their misery and worry. He told them that pain and adversity are inevitable, but suffering is optional. Going beyond the assignments of the tasks, John also made sure that his team made their internal and other meetings enjoyable by holding them over lunch or inviting their new colleagues out to a ball game.

Acting quickly. John Wooden, the legendary basketball coach at UCLA, told his players to "be quick, but don't hurry." Our senior manager John took a similar approach to his new project idea. His strategy was successful because he moved quickly but did not create additional pressure that could lead to rushed, inappropriate findings or bad decisions.

Insisting on progress and value. John maintained a focus on delivering value to the newly merged enterprise. His emphasis was not on his or even his team's advancement, but on how they could help the company to be successful. John's mission made the group's effort successful by emphasizing success for the business.

Our innate biological response to change activates the stress reaction, and there is nothing we can do to stop that. It is essential that leaders recognize that this response will occur within team members and themselves. Developing skills in resilience and agility helps move us past the victimization that occurs when people feel powerless and live as if they are under constant duress. By building a mindset of resilience and acting with agility in the face of challenging and difficult situations, we can turn these adversities into advantages. AQ

Richard Citrin, PhD, is president of Citrin Consulting, whose mission is to help leaders and their teams create a workplace where people's full value is maximized and utilized. He is the author of The Resilience Advantage: Stop Managing Stress and Find Your Resilience *(Business Expert Press, 2016).*

Overcoming the Challenges of CHANGE

BY HOLLY LYKE-HO-GLAND

As 2016 came to a close, APQC conducted its annual priorities survey, "2017 Process and Performance Management Priorities and Challenges," to better understand the pressing priorities and challenges of process and performance practitioners for 2017.
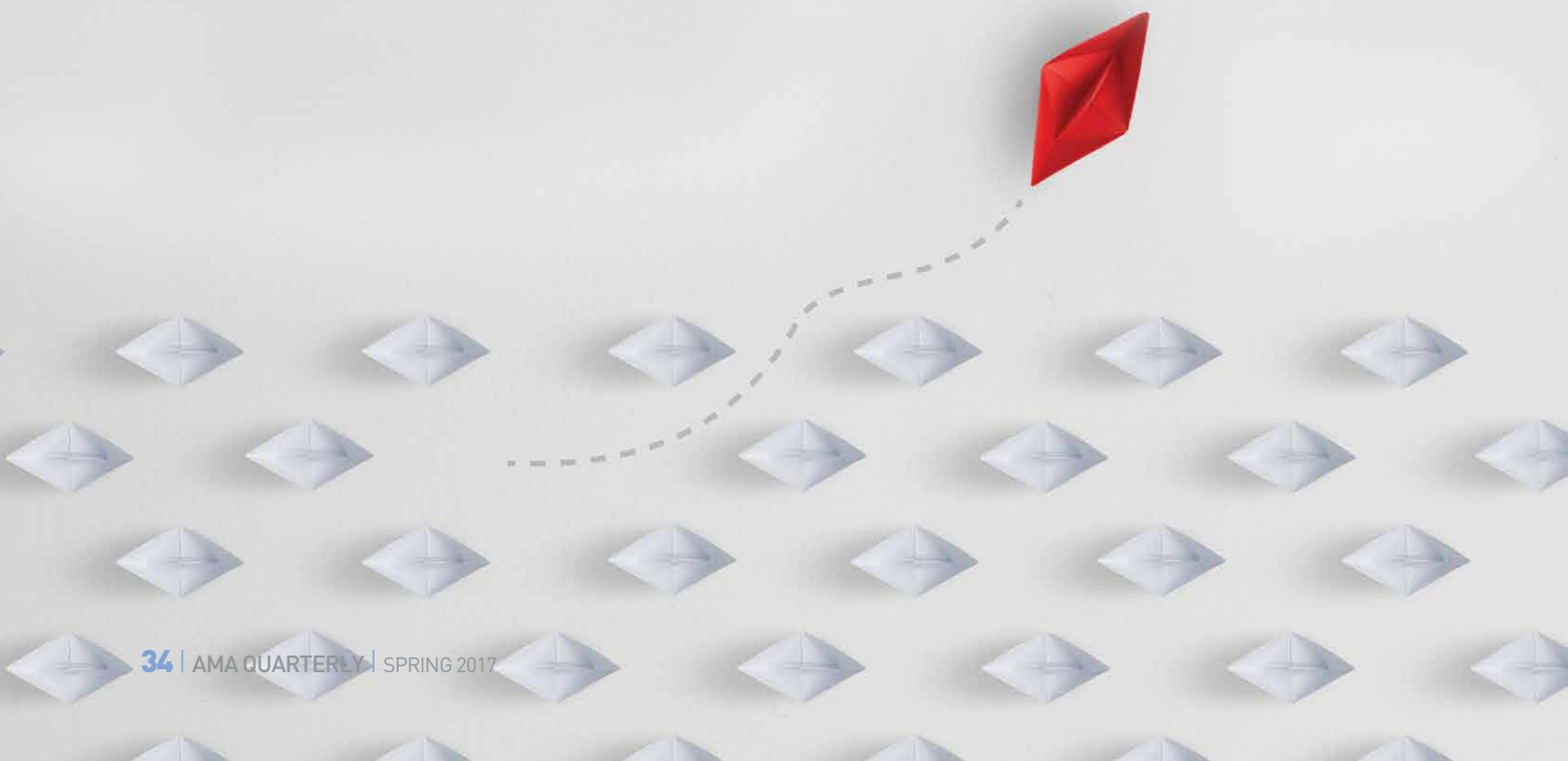
We found that evergreen change management challenges continue to be top priorities for businesses in 2017. These challenges are in engaging employees as changes go on, prioritizing which changes should be made first, and training leaders to handle change. (See the graphic "Change Management Challenges in 2017.")

At its core, change management is the act of proactively managing change and minimizing resistance to organizational change by engaging key stakeholders in the change process. However, that simple statement does no justice to the complexities involved in addressing the emotional reactions to change, internalizing behavioral or cultural shifts, and competing for the attention of already overburdened staff.

Hence, it comes as no surprise that organizations continue to struggle with many of the traditional change challenges, such as generating long-term employee engagement, picking the right changes to implement, and garnering the support of busy leaders to help drive change. But not all is lost: Since these are evergreen challenges, organizations can leverage the efforts of best-practice organizations to address them.

ENGAGING EMPLOYEES THROUGHOUT THE JOURNEY

Best-practice organizations use communication and engagement tactics to create a sense of ownership and overcome the common barriers to change that diffuse momentum.

The typical change journey spans the five steps that an individual progresses through during change. The steps begin with awareness and end with adoption. During the awareness stage, employees should be able to provide a comprehensive summary of the change. During the adoption stage, they should consistently display the behaviors used in the new process. To ensure adoption and move employees through the change journey, an organization's core and implementation teams need to identify and address the common barriers to change through aggressive communication and engagement tactics.

Best-practice organizations understand that traditional change barriers—such as flavor-of-the-week perceptions, employees' willingness to change, and leading by example—reflect the level of acceptance or buy-in with senior management and employees. Establishing buy-in involves transparent communications, personalization of what the change means, and interactive engagement.

Employees' capacity to change is in part managed through staggered deployment. However, the staggered deployment approach only works if an organization builds in two-way communications and deploys engagement tactics (such as focus groups, work groups, and surveys) to capture feedback

and monitor the acceptance of change through the adoption of new behaviors.

For example, at Baker Hughes, making successful changes boiled down to two things: culture and communication. To address the softer issues of people and culture, the enterprise engineering group developed a matrix of networks, processes, programs, and workshops that reinforced the new behaviors required to establish a unified organization. The matrix also drove the cultural shift within Baker Hughes because it engaged employees in developing and executing the transformation and reinforced the use of new behaviors. All of the components of the matrix have three things in common: communication, collaboration, and innovation.

The City of Calgary's project management office uses an engagement model for each group of stakeholders in its projects based on the ADKAR categories: Awareness, Desire, Knowledge, Ability, and Reinforcement. The project management office uses these phases to develop a change management communication plan to identify the tactics necessary to drive the timeline. The communication plan maps the communication and engagement tactics with the appropriate stakeholder, desired state, expected outcomes, and due dates. The change management communication plan overcomes one of the most difficult components of generating buy-in: making the change real by ensuring

Change Management Challenges in 2017

76%...
...cite change management as a topic of interest in 2017.

Challenge One
Engaging employees throughout the change journey

Challenge Two
Prioritizing changes for implementation within the organization

Challenge Three
Building the capacity for change in leadership (e.g., training or preparing leadership to lead the change)

that the messaging matches the individual's role within the organization. By mapping out the communication plan by each stakeholder group, the project teams can ensure that the messaging is optimized for the target audience, establishes expectations, and is timely for the desired state.

There are five key lessons to be learned when using communications and engagement to develop buy-in and overcome resistance:

Keep communications open and honest. Be transparent, even when conveying bad news. Employees respect the honesty, and that in turn creates the trust necessary to facilitate change.

Be deliberate about the purpose and target of the communications. All information will not be relevant to everyone within the organization, and overcommunication can result in people ignoring important information.

Leverage peer catalysts. Identify and leverage centers of influence within the organization who are natural change agents. These agents are not always managers. They help communicate information and create buy-in from the bottom up.

Close the loop. Always provide updates on what is done with people's questions or feedback. This serves two purposes: It lets employees know the organization listens to them and respects their thoughts, and it answers similar questions that other employees have.

Engage employees in the process. Use interactive communication tactics such as focus groups, war games, social media, crowdsourcing, and employee-led training. This engagement approach not only helps create buy-in but also allows the organization to tap into the expertise and ideas of its employees for the transformation.

PRIORITIZING CHANGE OPPORTUNITIES

Best-practice organizations prioritize change projects for implementation based on set criteria around value, risks, and change fatigue.

By using set criteria, organizations are able to develop a portfolio of projects whose resources and timing are based on their potential impact and ability to provide value for strategic goals. To ensure alignment with organizational goals—be they revenue, market-based, or organizational performance or improvement— organizations can conduct a systematic review of all potential projects as the first step of creating a portfolio. This means standardizing the inputs through business cases that will provide decision makers with the information they need to determine the value of each project and make apples-to-apples comparisons for entry into the portfolio.

Best-practice organizations stress two important factors for deciding which projects enter the portfolio: value and risk. Many organizations include formal value and risk assessments or scorecards as part of a project's business case or submission.

Although the value and risk criteria vary among organizations, best-practice organizations include some version of the following in their value assessments:

Strategic alignment. This assesses how a project aligns with the organization's strategic goals. Some organizations ask project managers to list the strategic objectives, whereas others use a scale to measure the level of support.

Effectiveness or financial value. Not all projects will have the same end goal. Some look at creating a brand-new product that can be expected to bring in revenue, and other projects look at increasing intangibles such as stakeholder engagement. This measure can include everything from net present value to new behavior adoption rates. The key is to provide a measurable value of the project's worth.

Payback period. Look at how long it will take to pay back the project's investment. This information helps put the project's time and value into perspective and supports prioritization, scheduling, and comparison of projects with similar values.

Just as important as the potential value of the project is its relative risk. This is a sometimes overlooked factor. For innovation portfolio management, risk is often measured by the technology readiness of the potential product. For change-related projects, however, common risk factors include:

Resource requirements. These help decision makers understand the investment.

Dependency among functions, departments, or regions. These help decision makers understand the complexity of the project.

Timeline for the project. This helps with the sequencing of the project.

Capacity. This includes the availability of resources and mitigation plans to address reliance on resources that are already committed to other projects.

Change management. This looks at the amount of change associated with the project, its effect on the organization, and how well that change is understood by stakeholders.

One interesting trend is the use of change management, or potential for change fatigue, as a risk factor. For example, some best-practice organizations provide decision makers with information on the degree of change a project and portfolio will have on an organization.

When preparing project information, the team will look at each department, function, and role to see how many of the projects in the portfolio will affect them and when. For instance, the team might identify 10 projects that have dependencies on the legal function and see that 5 of those projects will occur

in the second quarter of the year. This information helps the organization prioritize projects based on potential change fatigue and plan for traditional change-resistance challenges. One can pinpoint who is affected and when, and then time communications and engagement accordingly. This schedule ensures the project portfolio is not overburdening employees and can be used to adjust project sequencing.

PREPARING LEADERSHIP TO LEAD CHANGE

Best-practice organizations prepare leadership through training on change management practices, communication techniques, and desired behaviors.

Executive leadership and senior management often are the impetus for change. However, just being the impetus for change is not enough to drive the change within the organization. It requires a high level of senior-management involvement in change efforts. In change endeavors, one of leadership's key roles is to sponsor the change. This is a twofold process that consists of providing support through decision making, permission, and resource allocation and serving as a role model and promoting stability. Employees look to leadership to know what they are supposed to do and for assurance that all is fine.

The first component of sponsorship is much more straightforward than the second, which is how challenges—such as demonstrating rather than dictating and achieving consistent involvement—come up.

Leading by example and communicating the right message require that an organization prepare its management team to adopt the skills and behaviors necessary to support the new vision for the change. To make sure leaders have the appropriate information, best-practice organizations create mandatory leadership training classes customized based on individuals' roles in communicating the message downward within the organization.

For example, during a transformational change project, Underwriters Laboratories created three leadership training programs to change its management style, empower employees with decision rights, and embed the new culture and preferred behaviors within its leadership that would enable them to communicate the right messages and lead by example.

To ensure leadership has the support it needs, Rockwell Collins' change management team works hand in hand with senior management during change projects to prepare them to lead by example. The first step requires the change managers to engage sponsors early in the change to set expectations that fostering buy-in requires a sponsor who is active and visible, not just during kickoff meetings or by sending out enterprise-wide emails.

Secondly, the change management team provides training and recommendations on where and when the sponsor needs to be visible and what he or she can do. This is particularly useful since the most uncomfortable part of early engagement comes from the sense of vulnerability that leaders feel when they don't have all the answers. However, if leadership's engagement is well prepared and comes early, it will establish a cadence for interactions, trust, and buy-in by the implementation phase of a change.

LESSONS ON HOW TO CHANGE

Change is not a simple or straightforward process. It requires a full toolbox of methodologies, engagement practices, and structured communications. Above all else, it requires a lot of time and training. Although not an exhaustive list of the approaches organizations can use to address the most common challenges of change, the above practices provide tactics and approaches that organizations can garner from the experiences of others.

Here are some key considerations that organizations struggling with change should keep in mind:

Use collaboration engagement tactics to establish a sense of ownership. One of the hardest parts of change is the sense of powerlessness or that change is happening to you rather than with you.

Create structured communication and engagement plans broken down by role and desired state. Although this activity is time consuming, at the beginning it provides a wealth of benefits. These include personalizing the change, ensuring important messages are not lost in the white noise of overcommunications, and establishing expectations for employees and management alike.

Leverage project management best practices for prioritizing, planning, and implementing changes. Portfolio and project management methodologies can help ensure objective decision making around prioritization. Furthermore, these same methodologies provide a holistic view of all change projects that can be used to reduce or avoid change fatigue.

Ensure leadership has the necessary resources it needs to lead the change. Employees look to senior leadership and managers to understand if the change is something more than just a flavor-of-the-week program. Also, by training leaders early on the new desired behaviors, you provide them with the skills they need to reinforce the changes and to walk the walk in addition to talking the talk. AQ

Holly Lyke-Ho-Gland is principal research lead, process and performance management, at APQC. She conducts and publishes APQC research on process management and improvement, quality, project management, measurement, and benchmarking for APQC's Process and Performance Management research team. Her research supports APQC members and clients on helping professionals and project managers solve business problems with strategy, process, and measurement.

Emotional Pitfalls in Change Management

BY WESLEY HIGBEE

The past couple of days have been stressful. Let's just say I've been busy.

I'm working with a customer to take advantage of several opportunities to streamline a substantial investment they're making in a new software system. We're trying to cut risk without compromising potential rewards.

One of the opportunities requires a substantial change in direction—a change that appears to conflict with the past six months of work we've done. It appears to some people that I'm suggesting we throw out everything that's been worked on. That's not actually the case, but I understand why people feel that way. If I were in their shoes, I would feel the same.

Needless to say, I've fielded many concerns. Some people are on board. When I get done talking to them, I feel good about things. When I talk to the people who aren't on board, that doesn't feel so good.

After having several substantial conversations today, I knew I needed a break. I went downstairs with the intention of cuddling up with my little girl Pax. She's a sweet dog. The second I saw her, I smiled. The second I petted her, I felt relieved.

All of my feelings melted away as I sat there silently. I was able to be at peace with the present moment. After spending a few minutes with Pax, I decided I would take a hot shower.

Both of these helped clear my mind and bring me back to a calm place. Clearing my mind of stress allows me to understand where other people are coming from and helps me identify potential risks that I might otherwise neglect in the heat of the moment if I'm not getting my way.

USING THE PHYSICAL TO CHANGE THE PSYCHOLOGICAL

Often, we neglect the role that our emotions play in our lives. If we forget about them, we can't take advantage of them

when times are tough. And that's especially the case when we set out to enact substantial change.

Change is stressful. Stress makes all of us feel strongly, and strong feelings can lead us to come to rash conclusions. That's normal, though, so don't feel bad about it. Just be aware of it.

Just know that when you are stressed, sometimes destressing is as simple as taking a moment to snuggle up with a pet. Science shows that both parties benefit from merely seeing each other. Oxytocin is released at the simplest of interactions with our beloved pets. Not just for us but for them too. That's what cements the bond. That's why we have dogs that sleep in our beds and not in kennels.

When it comes to taking a hot shower, you're changing your physiology. And it's your physiology that communicates how you "feel" to your brain. That's why a hot shower makes you feel good. You are literally changing how you feel. A simple hot shower can wash away feelings of frustration, anger, impatience, and more.

Another way to think about this is that if you stub your toe, it's going to hurt. But if you clench your teeth or your fist, you can draw your mind away from the pain of stubbing your toe long enough for the initial feeling to dissipate.

It's the same tactic with these other approaches—you are drawing your mind away from psychological sources of discomfort by interjecting overpowering physical sources of pleasure.

Other bodily changes work too. Eating a meal when you're hungry has been shown to improve decision making. If it's hot, turning on the air conditioner also can improve decision making. Whenever we are physically uncomfortable, we only add to the psychological stress that we're facing.

So if you're in a bind, change your body to change your mind.

EMOTIONS THAT GET IN THE WAY OF CHANGE

Let's talk about some of the specific emotions that get us into trouble when it comes to making substantial changes.

The point of no return. As long as a decision is reversible, we don't stress too much about it. For example, if I see a new restaurant in my neighborhood, I don't think too much about what might happen if I order the food and don't like it. The worst case is that I'm out $30 bucks and must find something else to eat. That's why most of us are willing to try new places.

On the other hand, if I'm buying a new car, I'm much more hesitant about picking the right one upfront. Once I drive off the lot, returning the car might not be so easy. Unless, of course, there's a satisfaction guarantee—and that's a great marketing technique.

When you enact change, you should consider the role this bias plays. For example, let's say you are switching over to a new software system from an old one. If you had the choice of the following three options, which would you pick?

- There's no turning back once you switch.

- You can roll back to the old system if things don't work out, but it will take the system offline for several days.

- You can use both the new and old system simultaneously and shut down the old one when everyone has switched. In the worst case, you can ditch the new system if it doesn't work.

Assuming all three options cost the same, most people would go with the last option. That's largely because it reduces the risk, thus changing how we feel about it.

Unfortunately, emotions and feelings can be overestimated or underestimated and lead us to make bad decisions.

In some cases, we may think that we are past the point of return when we really are not. For example, if we invest six months of work in a project and then realize that there's an easier way, we may not take advantage of the easier way simply because we've already invested so much in the current solution. And we're worried about what people will think of us if we change course.

On the flip side, we might neglect to realize that we are making a decision that we can't go back on. In this case, our feelings, with regard to the point of no return, are absent. This often happens when the consequences are long term. A good example of this is a company that is struggling to make ends meet. Instead of letting two people go now, the owners wait a year to see if things turn around. Then, in a year they have to let go of half of the company instead of just two people. That factor never weighed on the initial decision. They never considered how badly things might go if they did not act, but instead pushed off the consequences.

Liking is familiarity. Desire is not elusive. It's rarely an inherent quality in anything. It's usually a function of what we are familiar with. For example, if you're familiar with a Mac, you'll like Macs. If you're familiar with a PC, you'll like PCs.

The same is true for how you run a meeting, how you manage people, and how you do your work. And for the most part, that's not a problem. But when it comes to substantial change, it can get in the way. After all, you're not likely to be familiar with a new way of doing things.

Change is about improvement. Otherwise it's a waste of time. In making an improvement, you always have a series of choices to pick from. Often those choices are a list of the alternatives that the people involved are familiar with. For example, if you're changing the physical layout of offices, you might have a recommendation for cubicles, another for open space with standing desks, and another for walled-off offices.

These choices likely reflect the familiarity that people have with a given layout. You won't likely have many new options on the list, because new things are uncertain. Uncertain means risky, and risk is something we avoid.

Knowing this means you might consider outside perspectives if you don't have enough options. When you ask for external advice, don't share your existing list of choices and concerns. You don't want to taint the unique perspective an outside voice can bring.

Then, when it comes to making a decision, factor in your own bias for whatever it is that you prefer. Say to yourself, "I like X because that's what I'm familiar with." Don't say, "I like X because it's the best way." If you do this, you can start to discount biases you have that prevent you from picking what could be a better option.

Influence is effect. When making changes, we often seek to make sure people are on board. We often wonder how we can influence other people.

Usually people seek to sway others with logic. But how well does logic play out in politics? Or, how about logic on Facebook comment threads?

It's not that people aren't listening. It's just that people don't make decisions based on reason; they make decisions based on how they feel. And that's a good thing because it would be impossible to consider the thousands of factors that inevitably could go into making any decision—factors that would largely be a waste of time to consider. We'd have to check each factor if we wanted to be logical.

Most decisions aren't that important, so we act based on how we feel. Feelings are a summary of the factors that go into a decision. Of course, feelings can be miscalibrated if we are missing substantial factors. But so long as we have exposure to substantial factors, feelings are often accurate.

So if you want to influence another person's behavior, which includes decisions, then you have to alter how they feel. For example, if you emphasize risks, people will be more conservative. If you highlight the reversibility of a decision, you will make people more liberal in taking a chance.

But you're not going to convince anyone with logic alone.

Beliefs come before data. Because we act based on how we feel, not based on logic, we form beliefs before we find the data to back up the beliefs.

This is why fake news is a pernicious problem. People don't bother to read a story so long as the title supports how they feel. That's enough to blast it out via social media. Everyone is guilty of this.

This is confirmation bias. If you feel good about option A and someone else feels good about option B, then each of you will find facts to support your own option and facts that

undercut the opposition. It's very rare for a person to find all the facts first and then come to a conclusion.

So just because you have the data, don't be so certain that you're right.

Most of the time, this isn't an issue. But if you suspect that your opinion is biased, and you suspect that bias is an issue, you might acknowledge the bias and force yourself to find evidence to the contrary of what you feel. Only then can you change your opinion.

How to be happy when you don't get your way. It's unnerving to be on the losing end of a battle. However, just because things don't go your way doesn't mean you have to be unhappy. And it doesn't mean that things will turn out bad. Quite often there are multiple viable options to get to a final destination. If you want to feel good when your route isn't selected, then focus on what the final destination means to you.

Let's say your business just opened up sales in a new region and you're having your first customer visits. Let's say you want to fly and everyone else votes to ride the train. Will you really be that upset if you make it to a new customer by train and still close the deal, bringing in millions of new revenue? Probably not.

Most of the time when we don't get our way, we can take solace in knowing that we'll still be successful. We can also take solace in knowing that in a few weeks it probably won't even faze us.

Think about the last time you got sick. When you get really sick, it tends to consume you—much like not getting your way when making a professional decision. Either way, you are consumed for a few days, not able to think about anything else. But a week later, it's the last thing on your mind.

Think back to a few decisions where you didn't get your way. Find something from the past year. Find something from two years ago. And find something from five years ago. Are you still upset?

The more time that passes, the less we even think about trivial things that didn't go our way. Take solace in the fact that what bothers you today likely won't even cross your mind a week from now.

With all the emotional considerations discussed here, if you are cognizant of them as biases you can take actions to neutralize the negative consequences. Focus on what you're ultimately trying to accomplish and try to discount miscalibrated emotions so that they don't derail your success. AQ

As a consultant, Wesley Higbee helps people eradicate emotional blind spots with technology and produce rapid results. Higbee has written courses for Pluralsight and O'Reilly. He is the author of Commitment to Value: How to Make Technical Projects Worthwhile *(Leanpub, 2015).*

CHANGE AVERSION

The La Brea Tar Pit of Good Intentions

BY LINDA HENMAN, PhD

For tens of thousands of years, oil seepage from the earth created craters of pitch in urban Los Angeles known as the La Brea Tar Pits.

The tar formed a deposit thick enough that when unsuspecting animals wandered in, they became trapped and eventually died. Predators that ventured in to eat the ensnared animals found themselves stuck too. Over many centuries, the La Brea Tar Pits have trapped and preserved the remains of animals that once roamed the earth with pride and distinction—the victims of Mother Nature, other marauders, and their own bad judgment.

Many of the remains in the tar pits are those of giant sloths—elephant-sized mammals that moved so slowly they provided a habitat to other organisms. A single sloth provided a home for moths, beetles, cockroaches, fungi, and algae. Sloths move only when necessary and then very slowly. They spend the bulk of their time eating from a single tree, from which they move only to breed or to find another tree. Sometimes they don't even bother to breed, so some species have become extinct. The metaphors for 21st-century organizations invite comparison.

Corporate tar pits develop when leaders persist in sloth-like approaches, ignoring the links among a strong change orientation, action, and results. Leaders need a new approach to thinking about the environment of the organization—a new ideology that inexorably links decision making, the organizational environment, and success—not just improvement. As business professor and author Oren Harari has pointed out, "The electric light did not come from continuous improvement of candles."

MAKING THE TOUGH CALLS

When leaders understand the importance of making tough, often unpopular calls, and then have the courage to do so, innovation can take root. Successful tough calls have four constructs: moral gyroscope, sound judgment, fortitude, and experience.

A gyroscope is an apparatus that consists of a rotating wheel mounted on an axis so that it can spin freely in all directions. Tilting of the mounting and movements of surrounding parts do not affect the orientation of the axis, so it can provide stability, provide equilibrium, and maintain an absolute

reference direction in navigation systems, automatic pilots, and stabilizers.

Like its navigational counterpart, a strong moral gyroscope provides the same sort of stability and direction in the midst of chaos and moving parts. However, a moral gyroscope demands that leaders do something, not that they merely be in a state or condition of integrity.

Experience gives us a respect for history without making us star-struck by it, shackled to it, or straitjacketed by it. Experience allows us to put previous decisions in perspective, to realize that never failing also means never taking appropriate risks or playing in a tough enough league. Experience also teaches us that tough calls come more often by imposition than invitation.

In my more than 35 years of consulting in the business arena, I have found, without question, that sound judgment ranks as the single most significant differentiator between those who can make successful tough calls and those who cannot. While fortitude addresses a willingness to make tough calls, judgment involves the ability to make them. Specifically, the most crucial forecaster of executive success involves advanced critical thinking skills—the specific cognitive abilities that equip us to solve problems, make effective decisions, and keep a global perspective. These abilities equip a leader to anticipate future consequences, to get to the core of complicated issues, and to zero in on the essential few while putting aside the trivial many.

When companies embrace a change orientation, they consider the tough calls that lead to innovation part of the way they do business, not a process or project they engage in for a given period. People innovate when they see a benefit—when they perceive that the change will improve their condition, not when someone else wants it. The following questions will help determine your change orientation:

Do we make decisions we can implement immediately?

Or, do we "vet" decisions to every conceivable stakeholder, suggesting we seek their "buy-in" when we actually want their approval? Every year one of my clients loses a sterling opportunity because of delayed decision

making—artificially created setbacks that cost mightily. Most recently, a president missed an opportunity to hire an industry star because he wanted others to meet the candidate. Travel schedules interfered with progress; speed did not seem of the essence. While the client wasted precious time, a competitor made an offer and the candidate accepted. Now this star shines in another galaxy—that of the competition.

To what extent will employees accept leader-only or expert-only decisions?

While sometimes desirable, consensus simply takes too long, and it ignores or negates a leader's often more trustworthy intuition. Successful organizations realize they must outrun the competition, but they have to do more. They also must exceed their customers' expectations. These kinds of tough calls require both speed and agility. An aircraft carrier will never be able to turn with the nimbleness of a speedboat; therefore, visionary leaders delegate important decisions to the most qualified person on the team, or they make them themselves. I've never been a fan of consensus, and each passing year and missed opportunity confirms my distaste for it. Today's changing economy simply won't allow companies to take the time to involve everyone in everything.

How adeptly do we evaluate risk?

Smart risk-takers define the playing field for everyone else. We won't soon forget the greatness of Steve Jobs. He anticipated and imagined the next big thing and then provided it. He didn't ask consumers what we wanted; he just invented what he knew we needed. Do you have the thinkers within your organization who can take your company to the edge of the cliff without letting it tumble over? Or, do your risk managers assume the role of business-prevention managers?

I have often said that a leader's second-worst nightmare is an idiot with initiative—their first nightmare being a smart sociopath. Either group tends to take excessive risks, sometimes because they don't know better, but often because they enjoy the rush of the uncertainty. Leaders don't want to incur fines or other adverse regulatory events, and neither do they benefit when they tolerate code-of-conduct violations.

A paradox emerges. On one hand, no company can fund recklessness for very long. On the other hand, most breakthroughs come from risk taking and innovation, so risk aversion can cripple a company nearly as much as excessive risk taking can. Successful leaders learn quickly that they must make the tough calls that balance innovation and caution, and they need to leave the risky tough calls to the smartest, best-informed people in the room.

EVALUATING THE RISK OF CHANGE

When it comes to deciding what the risk from change is, and how leaders should handle these risks, ask yourself these questions:

How comfortable would we feel about giving up the status quo?

What parts would we miss? What can't we live without? So-called comfort food makes us fat, and parts of the status quo make us lazy. We become ego-involved in the way we've always done things—imagining our entire world will fall off its axis if we admit to learning and leading a better way.

How have and how will market changes demand that we change?

Sometimes external factors decide for us. September 11th changed forever the way we travel, and no one expected or anticipated these changes. Yet, our economy demanded that we figure it out and get planes and passengers back in the air. Again, sometimes change comes more from imposition than invitation, but an agile culture can position an organization to respond well either way.

How well does the speed we prefer match the pace the market demands?

To remain competitive and exceptional, a culture must foster and embrace incentives, agility, rewards, experimentation, and high-risk tolerance, not quick victories. Many organizations demanding more "innovation" simply want faster problem solving, which will only return things to the status quo but not actually force leaders to make the decisions that would change anything important.

Can our senior leaders articulate the organization's strategy, and do they?

Most leaders can tell you what they plan to do this week or this quarter, but fewer have the ability to put into words exactly why the company does what it does, how they make money, where they want to be in five years, and what differentiates them from the competition. Too often this inability to communicate the vision, mission, and strategy comes from a reluctance or inability to make changes accurately and quickly. Winning coaches can't dawdle in the middle of a big game. They know the clock ticks away their opportunities as quickly as they surface.

Do we reward innovation and those who champion it?

Stars force people to take them seriously. They don't raise the bar—they set it for everyone else. They serve as gold standards of what people should strive to be and what they should attain. You wouldn't hesitate to hire them again, and you'd be crushed if you found out they had accepted another position. They give generously but expect repayment in kind.

Stars will explain your success as an organization, but they will demand constant improvement in return: excellent management, financial stability, a clear strategy, a fair, fleshed-out succession plan, and topnotch fellow employees with whom they will work. Tolerating and rewarding rigidity eventually creates its own punishment—but often not before

it encourages an inability to learn from mistakes. Creating an environment of learning requires a series of tough calls designed to reward effort, not just success.

THE WAY OUT OF THE TAR PITS

Once you have the answers to these questions, you can start evaluating alternatives and overcoming the obstacles that stand between them and a satisfactory resolution. Leaders have many ways to do this, but too many organizations engage in ongoing problem solving, usually returning things to the status quo—rarely embracing real innovation and change. Most people love the status quo because they think it doesn't hurt. While not perfect, doing what we've always done in the same way that we've always done it requires so much less angst and energy than experimenting with new approaches or pressing for innovative ideas.

Organizational change, the double-edged sword, can build a technology giant like Apple, but it can also unleash a backlash or unrest and turbulence. Researcher James O'Toole addressed the emotional side of change when he wrote about "the ideology of comfort and the tyranny of custom" in *Leading Change: The Argument for Values-Based Leadership* (Jossey-Bass, 1995), pointing out that a status quo mindset does more than create a philosophy—it establishes a risk-averse, oppressive dogma that quashes new ideas, novel approaches, and innovation.

Intellectually, business leaders understand they must champion change to keep pace, let alone outrun the competition. Yet, people often feel trapped by their own ideology, acting a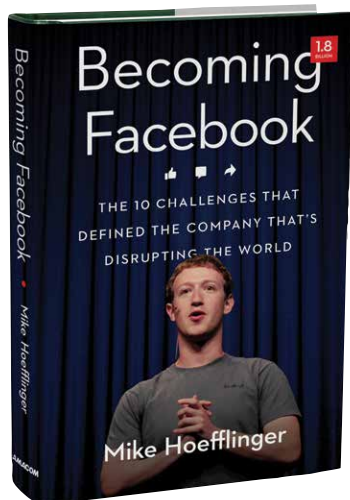s though an oppressive regime or organizational structure has been forced on them by an unknown agent. They see themselves as victims, but they aren't. They themselves have created their tar pits by making the status quo so resistant to change. Imprisoned by their own behavior, they avoid conversations that would help them learn about the gaps between their intention to change and objective reality.

Where does the balance between honoring the company's history and embracing the future occur? When does a stake in the ground act as commitment, and when does it tether the warrior to his grave? We need to understand the advantages of change and the pitfalls of getting it wrong. Only then can we address the difficult decisions leaders must make to serve as agents for change while preserving the best of what should never change.

Philosopher John Dewey observed that "saints engage in introspection while burly sinners run the world." I encourage burly sinners—those leaders who make the tough calls because they realize failure is instructive. Smart people learn as much from failures as they do from successes. They cannot only run the world; they can change it too. AQ

Linda Henman, PhD, is the author of five books, including Challenge the Ordinary: Why Revolutionary Companies Abandon Conventional Mindsets, Question Long-Held Assumptions, and Kill Their Sacred Cows *(Career Press, 2014). She works with leaders who want to think strategically, grow dramatically, promote intelligently, and compete successfully today and tomorrow. Some of her clients include Emerson Electric, Illinois Tool Works, Avon, Kraft Foods, and Edward Jones. She can be reached at www.henmanperformancegroup.com*

Counting People: What a Concept!

## When making predictions and projections, numbers count.

BY KENNETH W. GRONBACH

I speak 40 or 50 times a year all over the United States and Canada to very different audiences. I speak to manufacturers, distributors, importers, exporters, educators, students, funeral directors, insurance executives, marketers, human resource executives, sales executives, politicians, government employees, and retailers, to name a few. All of my audiences seem to share a similar vague notion of what demography might be. As a demographer, I am often asked if I make maps. That, by the way, would be the field of cartography.

My family knows what I do. When my daughter Libby was 15, she and a close friend were riding in the backseat of our Volvo station wagon. I heard her friend ask, "What does your dad do?"

Libby replied that I was a demographer. There was the usual pause. Then her friend asked, "What's that? Is that like an economist or an accountant?"

I could tell that Libby was searching for the right answer. Then she replied, "No. Accountants and economists count money and stuff—my dad counts people, and people are more important than money and stuff."

Good answer! That's exactly what I do—I count people. Most people don't count people, even at the most basic levels. Most people have no idea how many people there might be in the world (as of June 2016, an estimated 7.3 billion people, so now you know), or in the United States (about 320 million give or take a few million), or even in their own town or city (depending on the town or city, I might be able to pull
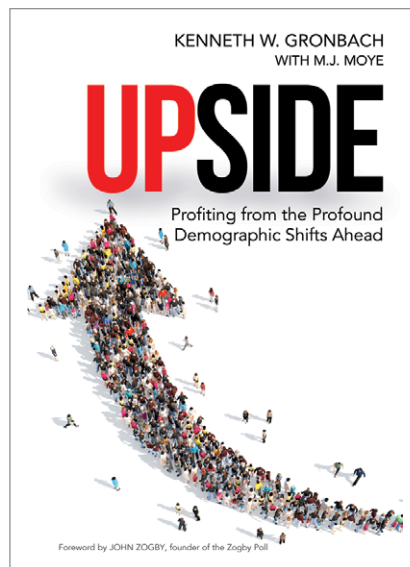
up the number). But what may be more problematic is that many marketers have no idea of how many consumers (people) there might be in their specific markets. Let me give you some examples.

I grew up with three older brothers in a single-parent household. They were considerably older than me. Chuck was 11 years my senior and the twins, Bob and Roger, were 9 years older. Chuck was big and very aggressive so there was a clear pecking order. When my mother would put an apple pie on the table, a battle would erupt and often injuries would result. It was a clear dynamic of supply and demand. Chuck, of course, would get the biggest piece; the twins would get theirs; and, if I was lucky, I would get a small piece. My mother didn't interfere with the battle because she was flattered that we all loved her pie and were so enthusiastic

about getting a piece. It made her feel good. Then Chuck joined the navy and left home. We kind of missed him . . . a little. Things changed around the house. There was a new pecking order. When my mother would put a pie on the table, the reaction would be measured. There was no more fighting. We didn't have to. Everyone got all he wanted. What was my mother's reaction? She was hurt. We apparently didn't like her pie anymore.

So, what was my mother's problem? She didn't understand shifting demography and shifting markets at the most basic level. My mother did not stop cooking quantities for four boys until we had all left home.

I can't explain exactly why, but I am pretty sure it has something to do with an inability to count people.

About six years ago I was speaking in Florida to a large group of municipal financial workers, and as soon as I began speaking, I discerned that this group seemed decidedly solemn and distracted. I am not the best speaker in the world, but my jokes are funny and I can normally hold a crowd pretty well. Not this one, and it was getting very painful.

Finally I just stopped my routine PowerPoint® presentation, held up my hands, and said, "Whoa, time-out—what's going on here?"

I wondered whether I needed to start my presentation by doing CPR. "You guys look like someone just told you that the world was ending." What I didn't realize was that many of them might have been thinking exactly that.

Apparently an earlier speaker had

filled them full of Florida's gloomy financial future. I asked the audience to volunteer what they were thinking, and there was no shortage of replies. It seems that the local economist who spoke just before I did showed a lot of crash-and-burn graphs and charts that demonstrated how hard Florida had been hit by the recent housing and financial crisis. The bottom line was that many of the folks in the room were thinking they were facing the possibility of being laid off. The world was ending!

One gentleman near the front volunteered: "Things are bad in Florida and clearly they are going to get a lot

generation, the aging Baby Boomers, had their retirement held hostage by the housing crisis and resultant diminished equity. I told them that the housing market was coming back, slowly at first, especially in states that had judicial foreclosure, but that once the foreclosures were cleared a vibrant housing market would reemerge. Baby Boomers would then sell their homes, recoup their equity, and descend upon Florida and other warm states like swarming locusts. I told them that they did not have sufficient infrastructure to handle the millions of Baby Boomers who were headed their way. They would

state of Florida. When they do decide to start counting, I am positive it will be an eye-opener.

Now if you read my 2008 book—*The Age Curve: How to Profit from the Coming Demographic Storm* (AMACOM)—or you've heard me speak, then you are familiar with my theories regarding the collapse of Japanese motorcycle sales in the United States in the late 1980s and early 1990s. It bears repeating here because it is the perfect example of corporate failure to count people.

In 1992 our advertising agency lost one of its biggest and most profitable accounts ever—American Honda Motorcycles. It was no real surprise because Japanese motorcycle brand sales had been plummeting during the previous six years. Between 1986 and 1992, the market for Honda, Kawasaki, Yamaha, and Suzuki sport bikes fell by about 80% and most of the dealers closed. No one knew why. Not the Japanese. Not the big American advertising and marketing agencies.

It didn't make any sense. Sales had been so robust throughout the late 1970s and early 1980s that we thought this would go on forever. The shift happened in 1986 when in early spring we ran the television, radio, billboard, and newspaper ads for about 180 dealers from the tip of Maine to Pittsburgh to Washington, D.C., and then waited for the usual tidal wave of customers. It never arrived. Customers trickled in. Our dealers became predatory and began seriously discounting the bikes. It was the beginning of the end. By 1992 it was over. It was the end of an era for the Japanese motorcycle sector. No one, and I mean no one, had an explanation. I remember the folks at Honda saying that they could not compete against the legendary Harley. They even started making bikes that copied the Harley style. They knew the "what" but they did not know the "why."

I explained to my Boca Raton, Florida, audience that it is never a good idea to project the present infinitely into the future. Despite what economists might imply, things do change.

worse. It looks like retirees from the North have stopped retiring to Florida and our lifeblood of tourism is in steep decline. Everywhere you look you see empty storefronts, deserted condos, and houses in foreclosure."

I said, "Now I get it. So why don't we all slit our wrists and get this over with?" OK, so I was a bit harsh, but sometimes I find that necessary when you want to bring people back into reality. I told our doomsday spokesman that he was half right. Things were bad here in Florida. But they were not going to get worse. They were going to get better, a lot better, incredibly better. I had gained their interest. I needed to deliver.

I explained to my Boca Raton, Florida, audience that it is never a good idea to project the present infinitely into the future. Despite what economists might imply, things do change. I told them that the largest U.S. generation ever to retire was about to do just that, and that this

need to build airports, harbors, roads, bridges, houses, condos, hotels, strip malls, office buildings, shopping centers, and parking structures to handle the volume. Before I knew it, the cheering crowd was carrying me on their shoulders and someone nominated me for mayor.

OK, so I exaggerated a bit, especially about the mayor part. The rest of it is true. Florida will blossom economically and demographically, and, as of the first half of 2016, it certainly appears that my rosy projections are starting to come true. Meanwhile, I continue to believe that the folks in Florida still have no idea just how much their lives are going to change, just how much Florida is going to change. And that's because no one down there has bothered to count people. They haven't counted the massive numbers of Baby Boomers and played around with these numbers based on historic growth and migration patterns for the

I discovered the "why" in 1996.

I had been troubled by the popular and growing perception that Generation X, born 1965 to 1984, was a generation of lazy slacker couch potatoes. I believe this perception gained even more credence

with the popular 1991 book *Generation X* by Douglas Coupland. But I wasn't buying it. Of the 40 people working at our advertising agency, 30 of them were Gen Xers and not one of them was a lazy slacker couch potato. So I had the research department of our agency dive into the real facts about Generation X by looking at data from the U.S. Census Bureau, *CIA World Factbook*, and Bureau of Labor Statistics.

The findings of this research were simple and profound. Generation X appeared to be underperforming compared to the Baby Boomers they followed simply because Generation X was smaller. We discovered that there were 9 million fewer native-born members of Generation X compared to the Baby Boomer generation. That's a lot

of people. It is almost equivalent to the population of Serbia.

American Honda, Suzuki, Yamaha, and Kawasaki, along with their advertisers, did not see the end of the Japanese motorcycle sales boom because they all failed to understand that the last members of the Baby Boomer generation were marching past their places of business along the generational parade route as of 1986. By 1992 the Baby Boomers had completely exited the Japanese brands' sweet spot of 16- to 24-year-old men. The diminutive Generation X that followed the Boomers simply did not have the critical mass of 16- to 24-year-old men to satisfy the needs of the market left behind by the Boomers.

Generation X was essentially 11% smaller by birth than the Boomers who

preceded them through those key sport motorcycle buying years. But no one ever gave any thought to counting them before they were due to arrive. AQ

Kenneth W. Gronbach is a gifted keynote speaker and nationally recognized author, expert, and futurist in the field of demography and generational marketing. With nearly three decades of experience in retail advertising and marketing, Gronbach saw the direct results of shifting demographics in his clients' profits. Eventually, his passion for the subject changed the direction of his career, to the benefit of readers of his books and attendees of his keynotes and other presentations.

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Change Management Skills Take on New Significance

From changes in healthcare to tax codes and regulations, the U.S. economy is likely to undergo significant changes in the coming year that will affect businesses worldwide. With the push for repatriation and bringing jobs back to the United States, there will be extensive domestic organizational expansion.

Bringing jobs back, though, will bring its own challenges. The possibility of mergers, acquisitions, startups, and increased R&D will require changes in the skill sets of people. Skilled labor will be challenging to find—the skill sets necessary to make organizations competitive have changed significantly in the past 8 to 10 years. Employees today will need sophisticated communication skills to collaborate with an increasingly diverse and global workforce. They'll need to get results without formal authority. They'll need to have critical thinking and problem-solving skills to analyze real-time data and make necessary adjustments to keep the organization on track. Equally important, they'll need grit and resilience to cope with rapid advancements in technology in an increasingly complex world.

Finding the right talent will be even more difficult with the aging of the population. The talent war is in full swing as more experienced workers exit the workforce, and companies are scrambling to fill in the gaps. The time to invest in employees is now. Not only will employee development upskill the current workforce, it will make organizations attractive to top talent.

In addition to investing in the underpinnings of a new workforce, organizations will need to equip leaders with strong change management skills such as communication, influencing, and decision making. It is up to the leaders implementing the change to make sure the right direction is followed and goals are achieved. Effective change management can mean the difference between life and death for organizations, and leaders must be prepared to make tough decisions to bring about positive change.

Leaders need to keep the momentum of change moving in a positive direction. Whether the change comes from within or is externally forced, moving through these stages allows for identification of a problem, reflection and brainstorming solutions, acceptance of the need for change, and flexibility during the change process.

Regardless of where an organization is on a change journey, AMA's mission is to direct your associates in achieving success in this changing world, just as we have done since 1923. AMA has resources to help employees navigate all stages of change and successfully transition their organization into new and unknown territories. We provide agile learning solutions such as onsite, tailored training as well as live online and in-person seminars, one-day workshops, and asynchronous adaptive learning solutions. Give us a call to find out how we can help.

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