



Thriving in Budget Constrained Environments

Frequently Asked Questions from Customers: Part 2 of 4

Executive Summary

In this second expanded edition of a four part series on frequently asked questions from customers, MainStream GS addresses the question: Due to reduced budgets, changes to the way we operate need to occur, how do we get our people to buy into and support the necessary changes?

Managing Change in Order to Increase Performance and Sustain Gains

Driving Change

The key factor in executing and sustaining the changes required to operate more efficiently and effectively in a budget constrained environment is to get buy in and acceptance of those who rely on you to execute the desired change. Regardless of the scope and complexity of a change, the road to acceptance is littered with obstacles. Overcoming them is necessary to get people to buy in and support the changes that need to be made.

Improvement comes from technical solutions designed to address the barriers and challenges an organization is facing. In the face of constrained budgets it comes down to finding ways to be more efficient and more effective in order to execute the organization's mission while

still providing for the needs of their customers. While strategies for achieving this come from an enlightened and engaged leadership, execution must come from an accepting and willing workforce. As illustrated in Figure 1, the "Sustainability" of improved "Technical" solutions is made possible and empowered through "Acceptance" of the new methods by process owners, stakeholders, and members of the organization.

Personal Reluctance

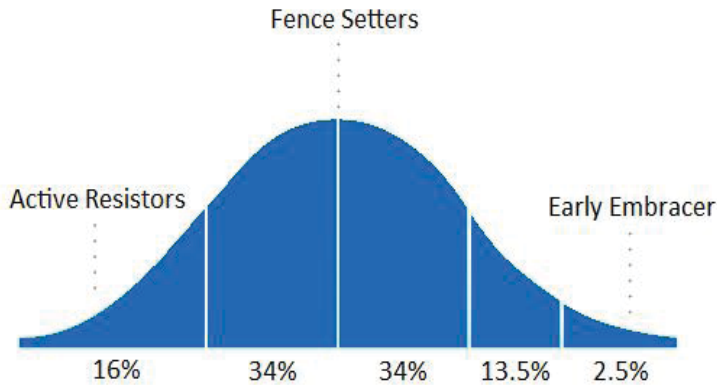
People meet change with some built-in reluctance. There are small numbers of individuals that are willing to lead change, a few who will actively fight change, and a majority who remain suspended in the balance waiting to see which side is going to win as illustrated in Figure 2. Authority alone cannot overcome this reluctance to accept change by simply being directive and forcing people to act. People must be partnered with to establish acceptance. Leaders who know this and understand how to effectively lead the organization through the change collaboratively can leverage the willingness of early embracers to demonstrate success, break down reluctance, and pull the fence setters and active resisters into levels of acceptance and engagement, eventually embracing what change can do for them.

Figure 1: Sustainable Change



- 20% attributable to the Technical aspects of the change
- 80% depends on cultural Acceptance through the development of a change culture
- A 50% Technical solution that has full Acceptance will be more effect than a 100% Technical solution that has no Acceptance

Figure 2: Reluctance to Change



Parochialism vs. Enterprise Thinking

Parochialism is part of the culture of traditionally structured organizations. It is a behavior learned over time because desired

outcomes are set at the departmental level and not the enterprise system level. Performance is rewarded and careers are built based on what is good for the department and not what is in the best interest of the enterprise. There are traditionally no clear understandings of how people contribute to the bigger picture and no mechanisms in place to set and gauge performance based on those contributions. Therefore, when an organization moves out in an attempt to rally interest in enterprise level strategies, members find it difficult to honor the needs of the enterprise over their own. This results in strategies going in potentially conflicting directions, competing for available resources.

Poor Internal Discipline

Most organizations lack control over how things get done because the people within the system are doing what they feel is right as opposed to what has been designed for them to do. Their motivation to behave this way comes from personal preference to what they truly believe is best. Regardless of their actions, it results in broad variation in methods, complicating the determination of root cause and decreasing the likelihood that any changes will be implemented consistently and sustainably. This dynamic causes nearly endless cycles of trial and error, consuming resources, and frustration for everyone.

Inadequate or Conflicting Metrics

There is a love/hide relationship going on with metrics in most organizations. Love them when they make you look good; hide them when they do not. When metrics are loved they usually support the parochial view mentioned above. However, these metrics do not focus on the things that would benefit the enterprise, they fail to drive desired behaviors, usually drive undesired ones, and keep people grounded in their stovepipes.

Organizations struggle to find the key metrics that clearly outline the desired enterprise outcomes and needs. When there are good enterprise metrics they frequently get hidden, discounted, or justified by the parochial ones.

Results types of metrics usually far outnumber the real time actionable ones that would help the organization respond in a timely manner to threats or shortfalls. If results are all that get measured the response is always a reaction, which is an exhausting chore.

Changes in Leadership

Changes in Leadership create a significant challenge to long-range strategic deployment of change. We rarely find a standard approach to leadership. This leaves the leaders at liberty to drive personal priorities potentially in conflict with systemic needs. There are good leaders who lead organizations in right directions through their strong personalities, imposing their will on the organization, sustaining progress through their charisma and determination. While this style can be very effective to get the organization to shift direction and respond appropriately to the forces for change, it allows a void of acceptance, replacing it with compliant behavior seeking to satisfy the leader as opposed to informed behavior seeking to satisfy the needs of the enterprise. Unless the Leader builds the capability within the organization to determine the direction it should go, monitor its progress while enroute, makes necessary adjustments to stay on course, and sustain a transformational mind set, the next leader will be compelled and at liberty to make unnecessary or faulty adjustments.

ORGANIZATIONS STRUGGLE TO FIND THE KEY METRICS THAT CLEARLY OUTLINE THE DESIRED ENTERPRISE OUTCOMES AND NEEDS.

Poor Communication

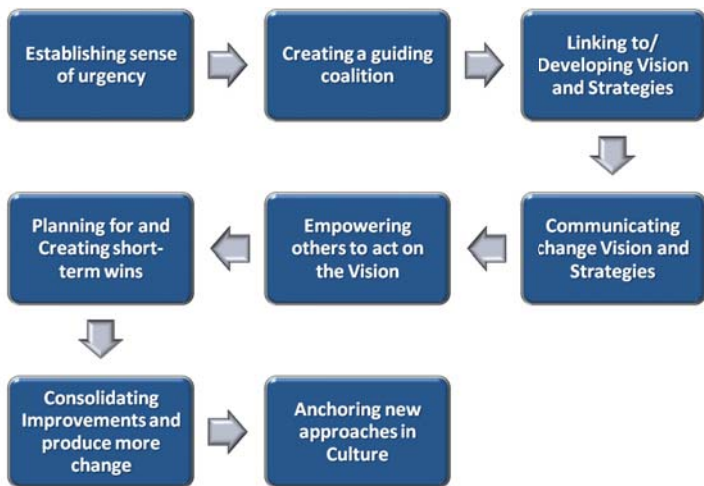
Many organizations intend to engage in effective communication but fail to execute a clear and effective plan to accomplish it, and they usually do not have two-way communication methods to gather and respond to the feedback and questions. Reasons for change are not always articulated clearly, adequate explanations are not given, key departments are left out of the loop, and the message does not reach the lower levels of the organization. This causes confusion, frustration, and anxiety throughout the organization. If anything can stall change in its tracks, poor communication can.

Change Management Strategy

MainStream's approach to leading change is through an effective enterprise Strategy Alignment & Deployment (SA&D). SA&D establishes focus on the "Technical" solutions required to reach the desired future state, spelling out the goals and how progress is to be measured, establishing the degree of progress required and laying out a prioritized course of action over time. It identifies necessary resources, training, tasks that need to be completed as well as who

will do them. However, in order to net sustainable results, “Acceptance” must be attained. This must be done, literally, at every step along the way. Building acceptance is what MainStream refers to as Change Management and our strategy is to integrate the building of acceptance into the framework of SA&D. To do this, we leverage the widely accepted principles of John Kotter’s “Leading Change” as shown in Figure 3 as the supporting framework to establish levels of acceptance, consensus, and buy-in. This integrated model is deployed from the position of authority and responsibility for the subject area, a position empowered to provide focus and direction, make resources available, and remove obstacles to change.

Figure 3: John Kotter’s 8 Steps to Leading Change



It Is People First

Acceptance is gained one person at a time. Whether or not any individual will accept change and eventually behave in support of change is a matter of whether that individual believes it is “in their best interest” to do so. People differ in their personal beliefs, preferences, values, and emotional connection to a circumstance. Gaining acceptance requires they be confronted in a manner that resonates with them, does not challenge them at this personal level, but leverages these personal aspects to communicate with them in ways that stir them into acceptance and action. Understanding people and leveraging behavioral sciences along with organizational development tools will increase the effectiveness gaining in acceptance and the results associated to change.

Be Clear About the Brutal Facts

When urgency is required, everyone needs to know why. Threats need

to be clearly stated in terms that resonate with the members who will be impacted. What are the compelling reasons for change? What are the brutal facts of the current state that bear negative consequences of the future if we do not act? This must be more than a logical set of reasons; it must be articulated and presented in a way that stirs people’s emotions and touches personal securities to cause people to begin to care about supporting it. Setting goals without establishing the need for the goals in the first place will be fruitless. The brutal facts possess the power to break down barriers and enlist people’s attention; a set of goals does not possess this power. MainStream calls these brutal facts the “Case for Change.” The Case for Change must remain current, readily available, and known by all. Without it the organization will lose its direction, reprioritize, and the momentum for change will dissipate or shift direction.

THE CASE FOR CHANGE MUST REMAIN CURRENT, READILY AVAILABLE, AND KNOWN BY ALL.

Cast a Near Term Vision of Success

While the case for Change creates concern it is necessary to offset that concern with hope, confidence, and inspiration for the future; the near term vision must provide all three. Organizations frequently develop visions that reach 20 years into the future, but in order to support the Case for Change and establish hope, leaders must rally the organization into action. This is done by forming and casting a compelling vision of what success looks like and set the expectations to attain that success within its current window of opportunity. Like the Case for Change, the near term vision must strike the membership at who they are and what they do and it must reach them personally and collectively, logically and emotionally. This cannot be a vision of general goodness, platitudes, or clichés and it must be directly tied to the current state and provide a basis for developing a means to engineer that success.

Remove Fear from the Circumstance

Even with a clear and compelling Case for Change having been made, acceptance will not be realized until the participants trust those in positions of authority and understand and accept how they will be treated and affected as participants in the change. Fear must remain focused on the implications of the Case for Change and not on the implications of success. Make commitments to help people and set

ground rules to govern decision-making as it relates to their personal interests and securities, all of which are at stake to some degree. This requires a commitment by leaders to look out for the best interests of the members, give them everything they need to get the job done, and recognize their contribution when they succeed. This does not have to take the form of guarantees but must be thoughtful, considerate, and sincere. Acceptance of change will come in proportions equal to the level of commitment, consideration, and attention the member's interests receive from the leaders.

Tap into the Natural Distribution of Power

Effective change cycles begin when the need for change is widely accepted by the power brokers of the circumstance. All people in the circumstance, including stakeholders, possess some amount of power associated with their role in the circumstance. While the power per person is greatest at the top and lowest at the bottom, this tends to be balanced by the amount of people at the bottom vs. the top.

The power of stakeholders cannot be diminished or ignored. There must be clear and effective communication and consensus building taking place at all times with those who are even slightly vested or impacted by changes to the system.

For change to sustain, it must be accepted as successful by the vast majority at all levels. Wherever acceptance fails, the change will fail. In order to be successful it is necessary to understand how power is allocated throughout the circumstance and to execute a plan of gaining acceptance within that distribution of power.

Personalize Communication

Given the personal dimension of change and dynamic relationship between these principles, it is necessary to engage in the dialogue about change on a personal level. It seems the only effective method of communication left in this era of technology based communications, is meeting face-to-face, looking each other in the eye, and sharing a conversation about the purpose, where we are going, and how we are going to get there. However, face-to-face does not necessarily mean one on one. We recommend a minimum of two basic formats of communication, which leverage existing power structures and traverse all tiers of the organization. The first is a meeting style format, getting emerging messages out, listening to feedback and responses, making the message relevant, and working for consensus and acceptance.

The other is done in the workplace focused on the actual day-to-day work, observing and discussing the daily challenges and needs. Regardless of the forums, leadership must have a relevant dialogue with the workforce where they not only share information but also listen intently and conscientiously. This ensures everyone in the organization is touched in this way regularly.

Understand and Influence the Culture

The Culture of an organization can be summarized as the predominant collective tendencies of the organization. Culture is powerful enough to cause shifts in personal beliefs and it manifests itself in the behavior of people. Like people, Cultures have a built in level of Reluctance to Change. However, Culture is a behavior learned over time, which can be influenced and changed. The road to acceptance runs straight through Culture. To influence Culture you have to first respect it, understand it, and earn its trust. There are aspects of the Culture that you will want to leverage or enhance. There are aspects you will want to change or eliminate. It is necessary to understand the drivers behind the aspect of the desired Culture to work with. The most effective way to shape Culture is to concentrate on methods, leverage what you know about people, and reshape the Culture by working at the root cause level of the Cultural traits.

Build Problem Solving into the Culture

AA Culture of Problem Solving is dominated by behaviors and responses that support the Core processes of the system. The desired Culture understands how the system operates, its customers and suppliers, and monitors external impacts on the system. Support processes deliver what is needed to support the Core processes and Governance processes provide clear goals and expectations and monitor performance of the system in real time, providing corrective action when needed. Failures and problems are treated as chances to make the system better rather than hiding the problem and working around it. People are recognized and lauded for exposing problems because only then can root causes be identified and eliminated. The Culture that shoots the messenger and drives fear into the workplace must be done away with. The predominant attitude in a Culture of problem solving is to meet and overcome the ongoing challenges with respect to Man, Materials, Machines, and Methods so there is continued success delivering the highest quality products and services as fast as possible with the lowest use of critical resources. A problem solving mindset that exposes its weaknesses and feeds those weaknesses

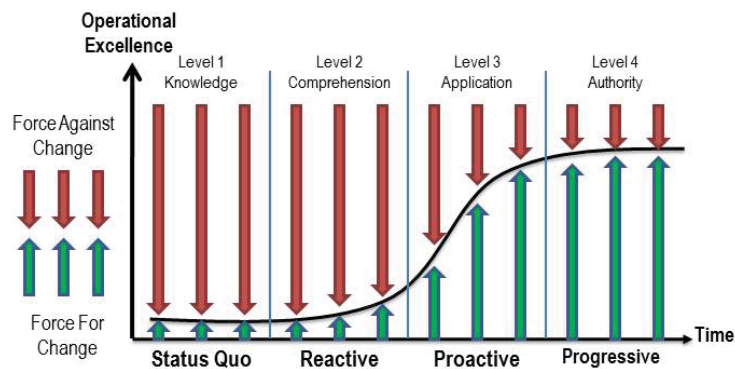
back into the change agenda is one that maintains its competitive edge by accepting change.

Conclusion

Change is a Journey of Learning

The transition to a changed state is one of overcoming Resistance to Change, first through acceptance, then through new methods leading to a change in the natural response. In successful scenarios, the level of acceptance and deployment of new methods has modified the personal and Cultural forces at play. This happens over time as the organization moves through the four Levels of Comprehension. During this transition, we classify four distinct states of the Culture that accompany those Levels of Comprehension (Figure 4).

Figure 4: Developing a Change Capability



Level 1 – Knowledge, the organization is “Unconsciously Incompetent”, what we refer to as a Cultural state of Status Quo. There are a few members of the organization (hopefully senior leadership among them) are committed to the desired change, but as a whole the organization does not know what it does not know, and believes that the “Status Quo” is sufficient. The organization lacks the understanding of perceived value to accept and contribute to the change.

Level 2 – Comprehension, the organization is “Consciously Incompetent”, or a Reactive state of Culture. There is momentum building in support of change. Individuals recognize and are beginning to accept and react to the inherent problems. The organization is aware that it has problems that need to be overcome, but is unsure as to how to overcome those problems. Most of the time the organization fails to take action until the problem exposes itself.

Level 3 – Application, the organization as a whole is “Consciously Competent” or a Proactive state of Culture. The organization recognizes what the problems are and begins to anticipate problems in advance. The organization consciously knows what tools it needs to apply in order to overcome those problems. It begins to proactively get in front of problems.

Level 4 – Authority, the client organization is at a level of “Unconscious Competence” or a Progressive state of Culture. They know what to do and do it without consciously thinking about it. It is imbedded into their cultural mind set.

Adapt to the Changing Environment

Because of the ever-changing state of the Culture, the level of support and the type of support organizations need throughout this transition changes as they shift between the various Levels of Comprehension. Leadership and facilitation styles must also evolve over time through various levels of directing, coaching, supporting, and delegating. As the Culture matures, modifying the approach will demonstrate appreciation for what is being learned and facilitate growth by giving people an opportunity to gain experience and sharpen their skills in a controlled and respectful environment.

Acknowledgements

Many of the thoughts, approaches, and methods MainStream GS adopts come from thought leaders including but not limited to John Kotter’s “Leading Change,” Jim Collins’ “Good to Great,” Ken Blanchard’s “Situational Leadership,” Steven Spears’ “The High Velocity Edge,” and Peter Senge’s “The Fifth Discipline.” MainStream GS’ approach is to combine these best practices into systematic approaches to solve client problems and help them achieve high performance.

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