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When faced with a crisis, do you see...

DANGER or Opportunity?

Here's how to lead your employees to bring about positive change.

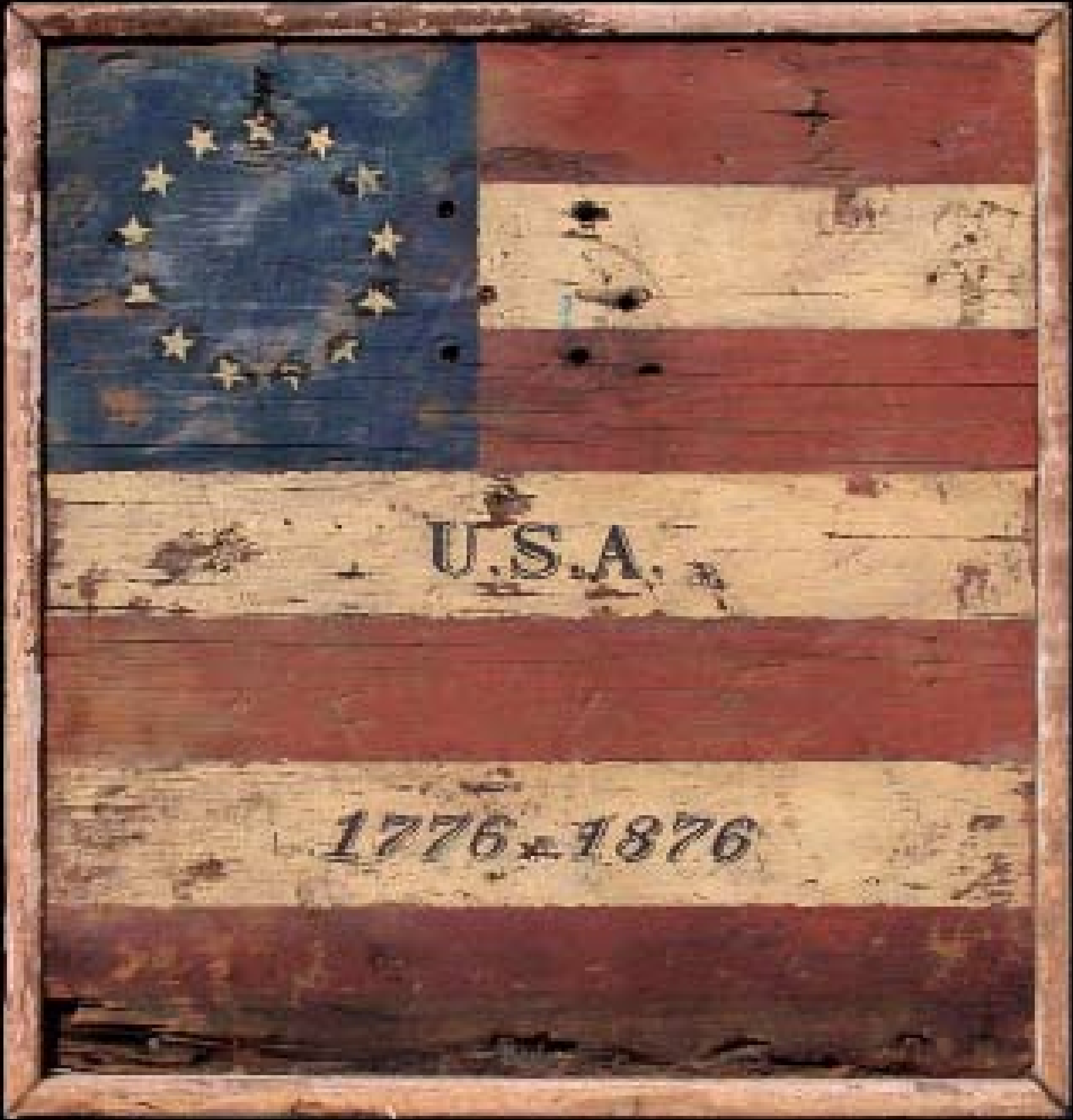
by Ellen Bryson

"When written in Chinese, the word crisis is composed of two characters. One represents danger, and the other represents opportunity."

(John F. Kennedy)

THESE DAYS, we are inundated with the word "crisis." Turn on any news report, and you are likely to hear of a "crisis" – the financial "crisis," the climate change "crisis," the health care "crisis," or any other pressing issue of the day (or, at least, an issue that someone wants to press). It's no accident that the word is usually used in a political context. After all, "crisis" is a persuasive word precisely because it denotes danger, and danger snaps people to attention. The natural question that follows is, "How do we solve this crisis?" That's where opportunity comes in. Whether the crisis is real or manufactured, it creates a significant opportunity to influence change.

It makes sense that a crisis embodies both danger and opportunity. Crises only occur when something is broken, so the danger component is obvious. As for opportunity, if something is broken, shouldn't we *want* to change it? A bankrupt corporation, a health epidemic, or an overheated



1776-1876 Flag (Brian Laurich)

car are all symptomatic of a root cause that has been there all along. If the underlying issue never resulted in visible failure, we would never know to fix it, oblivious to the harm it was causing.

Tony Dungy, former head coach of the Indianapolis Colts, has a son, Jordan, with a disease called *congenital insensitivity to pain* with anhidrosis (CIPA). He literally feels no pain. Jordan will reach into a hot oven to grab a cookie and proceed to eat it, unaware of the fact that he is burning his mouth. "For Jordan, diving on the driveway is the same as diving on the grass," Dungy writes in *Uncommon*. Since Jordan never feels pain, it's very difficult for him to know when an activity is causing personal damage.

Jordan's ailment highlights the importance of real crises. They happen for a reason. When we ignore crises or take actions to cover them up, it's the same as if Tony Dungy were to give a painkiller to his son. On the contrary, Dungy alerts his son to the danger of his actions and helps him change his behavior to avoid future reoccurrences.

Whether you are inclined to first see a crisis as a danger or an opportunity, it's important to recognize that both are there. Thus, real crises should be embraced as the disruptive forces by which organizations, processes, and people improve. Danger and opportunity are powerful motivators.

So why, even when faced with danger and opportunity, is positive change so difficult? John Kotter, author of *Leading Change*, found that only one in three change initiatives succeed. Why is that?

Recently, I stumbled upon a May 2009 McKinsey Quarterly article by Carolyn Aiken and Scott Keller entitled "The Irrational Side of Change Management." Aiken and Keller cite a June 2003 McKinsey article, "The Psychology of Change Management," in which Emily Lawson and Colin Price suggest four basic conditions necessary for employees to change behavior:

1. A compelling story. They must understand the need for change and agree with it.
2. Role modeling. They must see leaders behaving in new ways that support the change.
3. Reinforcing mechanisms. Systems, processes and incentives must be aligned with the new behaviors.
4. Capability building. Employees must have the skills required to make the desired change.

While crediting these elements as a good start, Aiken and Keller caution that you can't just implement them and expect to change people's behavior in a meaningful way – that is, a way necessary for long-term change. Human beings are not robots. We have our own wills, desires, passions, and motivations. Leading change is not as simple as inputting a certain stimuli and waiting for an expected result. No, to stimulate real change, you must understand how people interpret their environments and choose to act.

If only I had figured this out sooner…

* * * * *

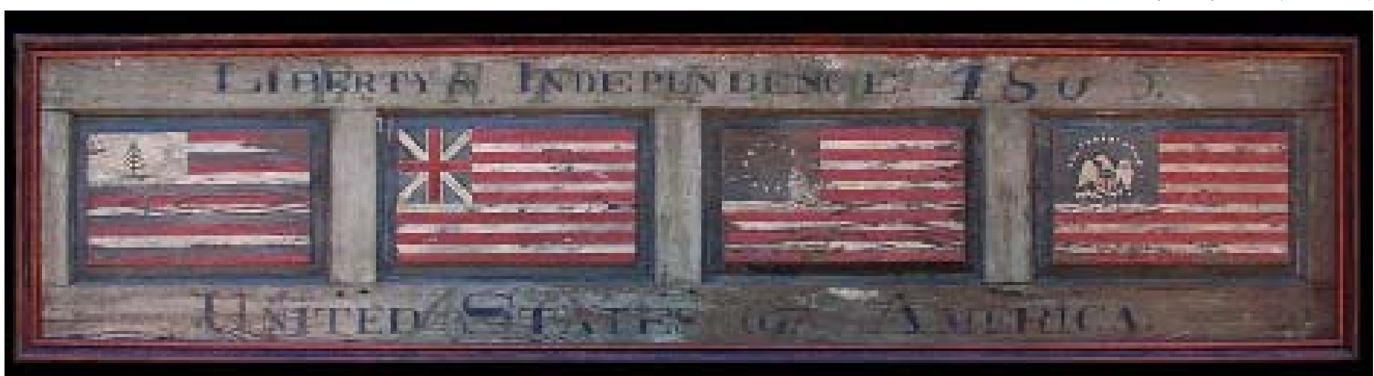
I was the Chief Manager of a competitive start-up telecom venture located in the southeast. Within months of my arrival, the dot.com bust and the Enron/WorldCom fiascos occurred. Consequently, our business plan for a carrier's carrier basically went up in smoke. We scrambled to redefine our business model by focusing on revenue streams we could develop internally with the existing group of owners in hopes that we could protect the investment already made and have a chance of survival while the industry recovered. As a result, our financial needs increased significantly due to the need to extend our network further and deeper into the state. Our owners' local companies became intertwined with the new company, and jointly providing services became essential for our survival.

The industry chain of events created a major reluctance on the part of lenders to fund competitive start-up telecom ventures. Even though we were five months into the loan process with a large nationwide cooperative bank, our hopes of closing the loan grew dim. The bank wanted guarantees from the owners in order to lend the money for the competitive venture because the now-obsolete model was based on providing services to carriers like WorldCom and Enron.

The owners resisted. They had never been asked to guarantee loans before and were reluctant to do so under any circumstance. Each of them were successful executives that had run regulated utilities (local telephone companies) most of their careers. The competitive landscape and financing in the new environment were totally foreign to them.

For us, this was a crisis. The danger was real, and we had to seize the opportunity to find a way to be competitive. Change was imperative if we were to save our company and initial investment. What followed next was quite remarkable.

Liberty & Independence (Brian Laurich)



We re-engineered the business model so that revenue needed to sustain the new venture in the early years of operation would be generated by moving a service that had always been jointly provided by the owners of local telephone companies and a Regional Bell Operating Company (RBOC) to a jointly provided service between the owners and our start-up venture. This was risky because we had to first convince all interconnecting telecom carriers across the country that we had the authority to require this change. Once implemented, however, it would immediately generate positive cash flow and eliminate much of the risk associated with the original business model, thus easing banks' concerns about our loan request.

Revising the business plan and selling the idea to owners was the easy part. Implementation was a different story, for it required us to conduct business in a very different way from what all parties were used to. It also required other telecommunication companies to change the way they interconnected with our group of companies – a way that was different from how they connected with the other 1000+ such companies around the country. Regulated industries are pretty stagnant; once something is put into motion, it typically remains unchanged for decades. When this group of owners had decided to launch the new competitive telecom venture, no one ever thought it would impact the way they conducted business in their local companies.

Put simply, our new business model created a lot of unexpected complexities. Many functions previously provided by the RBOC now became the owner's responsibility. For one thing, they were now forced to negotiate with all carriers directly. This required new processes and procedures, new skill sets, new network configurations, and more direct responsibility for ensuring that the service was delivered as ordered to the end customer. No one had bargained for this much involvement in the day-to-day operations on the front end.

Some owners had little difficulty implementing the change in their organizations. Others, however, got cold feet and struggled learning to operate in the new environment. Yet, they had no choice. Once we made the decision to do this, everyone had to stay on board.

Fortunately, the plan worked. We got our loan and began generating positive cash flow immediately. The start-up is now in its tenth year of operation and going strong. The local companies adjusted, provided new opportunities for their employees to grow in their jobs and learn new skills, protected their initial investment, and are now reaping the benefits of having a profitable competitive company that has opened even more opportunities for their local companies.

That said, we could have done better. Hindsight is 20/20, of course; it's always easier to diagnose the past than it is to accurately assess the present or the future. Looking back on this scenario, I see how Aiken and Keller's insights could have helped us implement the necessary changes sooner and more completely – even with the owners who were hesitant to go down this path. More time would have been required on the front end, but the outcome could have been much better.

Aiken and Keller present nine pitfalls that commonly get in the way of the four change-inducing conditions given by Lawson and Price. In the remainder of this article, I will review each of them and examine our situation in light of these pitfalls. I hope you can learn from our crisis and seize the opportunities when you face your own.

The more personal ownership your employees feel for an initiative, the more passionately they will work for its success.

Behavior 1: Create a Compelling Vision

Pitfall 1: What motivates you doesn't motivate most of the other people.

Social science researchers have identified five major forms of impact that motivate people: impact on society, the customer, the company and its shareholders, the working team, and "me." Aiken and Keller note that one of these motivations will resonate with the leader, and he will thus base his message on that motivation. The problem is that he's missing 80% of the picture, and probably 80% (or more) of his audience.

I was motivated by the needs of the company and its shareholders. It was all about survival. Granted, that was a legitimate motivation. The other possible motivations – the customer, the working team, and the individual employees, in particular – depended on the existence of the company. However, I did not adequately communicate that. I focused on finding new revenue streams to sustain operations and provide sufficient resources for growth, but failed to connect this goal with *all five* motivations.

Naturally, every organization wants and needs to make money, but that is probably not your chief goal. You're providing livelihoods to employees and their families. You're providing an essential service or product to your customers, thereby benefiting society. Making money is simply the means to these higher aims. Communicate that! When casting the vision for your organization, tune everyone in to all five forms of impact. You'll enjoy greater buy-in and better results.

Pitfall 2: You're better off letting them write their own story.

The more personal ownership your employees feel for an initiative, the more passionately they will work for its success. I once heard the story of a professional baseball coach who noticed a mechanical glitch in the throwing motion of one of his infielders that was contributing to an increase in errors.

The problem was that this particular player was notoriously resistant to outside advice. Instead of confronting the player with his insight, which he knew would be ignored, the coach deliberately walked by the player each day with a handful of video tapes. After several days, the player asked what he was doing. Feigning frustration, the coach said that he had been studying film of the player's throwing motion for days hoping to find the cause of the errors, but he wasn't able to find anything. The player immediately asked for the tapes, confident that he understood his own game better than anyone else and could certainly spot any problems with his motion. A few days later, the player made the necessary change, and his errors decreased.

Would it have saved time for the coach to just tell the player what he needed to do? Certainly, but it would have been wasted time because the player would have never bought into the change. Many times, the key to buy-in is to allow employees to think that they developed the necessary actions themselves.

In our situation, we provided step-by-step instructions to help everyone implement the changes. The new venture facilitated all interactions between the industry and the individual local companies. The local telephone company owners were given a roadmap to follow for implementation. A consultant who had assisted other organizations in a similar effort was hired to develop the plan and guide the implementation. Yet, there was little to no opportunity for the individual owners to contribute to the development of the implementation process. Consequently, few of them bought in. Even as they went through the motions, resistance and doubt impeded success.

Here's the lesson: allow your people to take ownership of your success at all levels and in all situations.

Pitfall 3: It takes a story with both + and – to create real energy.

Recently, we've seen a lot of business books and articles dedicated to studying failure. During the booming 1990s, we saw a lot of studies on success. To really influence change, we need a little of both. Remember, most people are moved by danger, and some are driven by opportunity. Just as you strive to avoid pitfall 1 by addressing all five forms of impact, you must be sure to tap into both sources of motivation. Aiken and Keller call these the "deficit based" and "constructionist based" approaches.

As the Chief Manager, I focused heavily on the deficit based approach. We had a serious problem that needed correcting, and I shouted "danger" from the rooftops to pull everyone on board. This approach created a lot of resistance in some, and implementation was a struggle. Had we taken the time to engage people in the discovery process of formulating a solution, effective change could have been smoother without bruising so many egos.

Behavior 2: Role Modeling

Pitfall 4: Leaders mistakenly believe that they already "are the change."

Leaders are often part of the problem; yet, they don't see themselves needing to make changes in their own behaviors. Aiken and Keller ask some provoking questions to illustrate this:

How many executives when asked privately will say no to the question, "Are you customer focused?" and yes to the question "Are you a bureaucrat?" Of course, none. The fact is that human beings consistently think they are better than they are. Consider that 94 percent of men rank themselves in the top half according to male athletic ability.

Let's pause for a moment and ask ourselves a painfully logical question: if leaders have the power to role model change, do they not have the power to role model the bad habits that require the change?

In *The Five Temptations of a CEO,* Patrick Lencioni encourages CEOs to embrace self-examination and actively encourage employees to challenge their ideas and behaviors. Using 360-degree feedback, for example, could have defused some of the tough issues in our company and changed bad behavior at an individual level before it was able to fester company-wide.

Pitfall 5: "Influence leaders" aren't a panacea for making change happen.

Aiken and Keller suggest that success depends less on how persuasive leaders are than how receptive people are to the idea. Charisma may win some short-term points, but it will rarely facilitate long-term change. Usually, real change is driven by unexpected non-leaders who feel compelled to step up and make a difference.

During our implementation, we saw this in an employee that worked for one of the most reluctant owners. Seeing the success other companies were having as they completed implementation, he began talking to people in those companies about their experiences. Once he was convinced of the need for the change and saw the value it could bring to his company, he quickly sparked excitement in his own coworkers about being part of the solution. Ultimately, he helped the owner grow comfortable with the process and see the value of moving forward. Simply put, he drove the change in his organization.

If leaders have the power to role model change, are they not also responsible for role modeling the bad habits that require the change?

Behavior 3: Reinforcing Mechanisms

Pitfall 6: Money is the most expensive way to motivate people.

Few would argue that financial incentives must be tied to desired behaviors, but the ideal form of these incentives may not be what you think. Aiken and Keller mention how the CEO of Continental Airlines sent an unexpected $65 check to every employee when the company was ranked in the top five for on-time airlines. "Small, unexpected rewards," they say, "can have disproportionate effects on employees' satisfaction with a change program." Perception often drives reality. If your people feel appreciated, they will act accordingly. Expected rewards such as salary increases just don't have the long-term effect that conventional wisdom says they do.

We did a good job of this, frequently recognizing and celebrating success. Each network conversion was a cause for celebration as an important piece in the bigger opportunity for the system, and dozens of people in different companies were recognized for their efforts in implementing this initiative. We went to great lengths to help others understand how each person's individual performance supported the overall vision. Emails and special letters of recognition were written to our owners about their employees' specific contributions that supported the overall vision. Those individuals were personally thanked, verbally *and* in writing. People were recognized in board meetings and the company annual meeting for their individual and team contributions. They felt appreciated and acknowledged for their hard work…and it hardly cost a thing.

Pitfall 7: The process and the outcome have to be fair.

"Employees will go against their own self-interest if the situation violates other notions they have about fairness and justice," write Aiken and Keller.

This strikes at the heart of one of the biggest stumbling blocks we experienced. Even though it was never stated in these terms, the perception of unfairness was the underlying reason for one company's strong resistance to implement the necessary changes after the decision was made. This company's owner had the largest network in the group and therefore had the largest responsibility and greatest risks associated with the conversion. He still had only one vote, and he felt cheated. Had time been taken to truly understand his concerns and help him get comfortable with the situation, chances are that things would have progressed faster without as much conflict and resistance.

Behavior 4: Capability Building

Pitfall 8: People are what they think, feel and believe in.

When driving change, we tend to lock in to how people behave, but we must also consider how they think, feel, and believe. Aiken and Keller cite a bank whose sales per banker were down because bankers spent too much time on paperwork. They reacted by changing their process to maximize customer-facing time. What they failed to realize, however, was that bankers were *choosing* to spend time on paperwork because they found customer interaction uncomfortable. Even after their well-intentioned changes, the bank saw little change in sales per banker.

We were guilty of the same, taking little time to understand the causes of behaviors. Once unanimous approval was given for the plan, we expected everyone to jump on board. Had we taken time to understand and address the soft issues of leading change, we likely would have avoided the internal conflict and upheaval we experienced. In all situations of significant change, leaders must invest time in reorienting employees from danger to opportunity.

Pitfall 9: Good intentions aren't enough.

Training is essential in building capability, but it can't be just a one-off event. Training must be spread over a period of time and targeted efforts made to immediately incorporate that training into peoples' responsibilities. This speaks to execution. Everyone has some good ideas; it's putting them into practice that separates the great from the rest.

In our situation, we conducted training sessions on the new processes and procedures almost immediately, but employees did not have ample time to practice what they learned before actual implementation of the new system. As a result, the plan was solid, but the execution was not. Just like shooting a basketball, much of success depends on the follow-through.

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Crises are *good* things because they prompt us to make necessary change. Study these nine pitfalls and think about how you might avoid them in your organization. Build relationships with your people and bring them on as partners in your plans. Face the danger, seize the opportunity, and relish the thrill of improvement.

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