

Creating an Organization That Is Comfortable with Change

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In a global marketplace where wrenching, disruptive change is pervasive, how do you create an organization that is comfortable with change, an organization that thrives on innovation, an organization where people embrace with gusto doing things differently? How do you help leaders throughout an organization see the necessity for that? And how do you ensure that these leaders are able to communicate their enthusiasm to others in their role as a leader? Six steps are necessary.

1. Understand the irresistible forces of change

The pervasiveness of disruptive change is the result of converging socioeconomic forces. Any one of these forces would be disturbing. Together they ensure that white-water is the new normal. Most managers perceive one or more of these forces. Grasping the impact of the totality of them is less common.

- Accelerating economic and social change is tearing the global economy apart and recreating it, as a result of the computerization of every business activity, the availability of low-cost global communications, and the collapse of physical space as a constraint.
- When everything around the company is changing, staying the same is often a recipe for disaster: ever faster innovation becomes an imperative.
- The complexity of today's economy has resulted in the emergence of shifting alliances of global networks of partners. The firm is no longer solely responsible for what it sells: it has to rely to a greater extent on putting together and maintaining alliances with others.
- Intangibles, which are playing rapidly growing role in the economy, can't be controlled like physical goods: they tend to morph and shift much more unpredictably.
- The increasing ownership of a key means of production—knowledge—by knowledge workers, means the managers have less control over work: outcomes are subject to decisions by others.

- The escalating power of customers in the marketplace means that even large firms can no longer take their customers for granted.
- With the burgeoning diversity in both the workplace and marketplace—different localities, backgrounds, experiences, genders, sexual orientations values, races, nationalities, ages, religions—managers today have to deal with mercurial shifts in audiences that often have hardly an idea or habit in common.

Merely understanding those powerful forces for change won't by itself make people comfortable, but it is a first step towards developing comfort with change. It enables people to see that pervasive, disruptive change isn't ephemeral or just an accident: it's the result of known socioeconomic forces that will continue to cause wrenching change for decades to come.

2. Establish a larger purpose for the organization

The processes and routines that organizations use to cope with the environment ensure predictability and stability and enable the maintenance of quality. How does a stable organization cope with a radically unstable environment? One of the key steps is to establish a larger purpose for the organization which will determine the areas in which innovation is to be encouraged, as well as marking those areas into which innovation should not stray.

Establishing a larger purpose will also enable people to make sense of turbulence. When people understand that they are heading in a certain direction, they may interpret the bumps and spills along the way as incidental to the longer journey, rather than events that put in question the total mission.

Ideally, it's a purpose that is worthwhile in itself, not merely an instrumental goal, such as making more money, or becoming the biggest, or making the targets for the fiscal year. Thus the purpose of Toyota is "to enrich society through the building of cars and trucks." The idea of enriching society means offering car customers reliability and mobility while investing profits in new plants, technologies, and employees. It reflects a company-wide obsession to keep on building better cars and to plan for the long term—financially, technically, imaginatively. And the purpose also creates limits: Toyota create steadily improving cars and trucks, not airplanes or software or flowers. The firm's purpose gives focus to continuous, pervasive change.

Equally, Apple's purpose of "making cool electronic gadgets" enables staff and customers to make sense of the rapid transition from computers to MP3 players to mobile phones. The

purpose of the organization helps generate a sense of continuity, a thread of meaning, in the minds of both staff and customers.

And the top management may decide that the firm's purpose needs to change. Thus if IBM had remained a manufacturer of hardware, it might be facing the same plight today as US car manufacturers. Instead, CEO Lou Gerstner expanded the purpose beyond hardware to the provision of services, and today IBM makes a large proportion of its revenues from this new business.

3. Recognize that innovation is everyone's job

In 2003, Howell Raines was fired from his post as managing editor of the *New York Times*. In taking this post, Raines had every managerial advantage. He had the strong support of his boss. He had a clear strategy for re-energizing the newspaper. He was able to hire and fire and place his own associates in key positions. Under his tenure, the newspaper won an unprecedented number of Pulitzer prizes. The pretext for Raines's dismissal after only nineteen months on the job was the revelation that a young reporter—Jayson Blair—had been found guilty of plagiarism and lying. But the deeper reason for Raines's dismissal is that he had "lost the newsroom." He had failed as a leader to win the hearts and minds of the staff on the *New York Times* to implement his bold change strategy.

Raines's strategy was apt and he aggressively applied the tools of management to implement it. But what Raines discovered, like most CEOs, was that the tools of management are not merely ineffective: they actively get in the way of inspiring deep change.

One of the hardest things that managers like Raines have to learn is that improving actual operations is not their job—it's the job of the staff themselves. The managers' main role is to help the staff understand that responsibility and enable them to carry it out.

An equally important role of top management is to find and encourage potential leaders within the organization who are already evangelizing and implementing needed change.

When Larry Prusak and Tom Davenport examined how large organizations actually succeeded in implementing major innovations, they found that the impetus for change usually didn't come from the CEO at all.¹ Usually it was people in the middle of the hierarchy, who, often without any formal managerial mandate, became the evangelists for changes that were eventually adopted by the CEO.

Thus Bill Gates has received well-deserved kudos for his 1995 "Tidal Wave memorandum" committing Microsoft to the World Wide Web. But long before Gates issued that memorandum, young staffers, J. Allard and Steven Sinofsky, were evangelizing within

Microsoft for the Web. Gates's memorandum was important but it endorsed a change that was already way.

Prusak and Davenport call these mid-level evangelists for change, "idea practitioners." In case after case, in companies like Dell Computer, Xerox, Johnson & Johnson, Intel, Hewlett Packard, Bristol-Myers Squibb, Eli Lilly, Société BIC, W.L. Gore and Associates, and the Canadian Imperial Bank of Commerce, the driving force behind new ideas was not the CEO but an idea practitioner—someone below the very top of the hierarchy who believed passionately in the innovation and was eventually able to win support from the hierarchy.

If CEOs can find the people in the organization who are already doing things differently, they can endorse their efforts and encourage others to join them. It will reduce the time they will need to spend on inspiring enthusiasm for change.²

4. Inspire enthusiasm for change

The most important step in creating an organization comfortable with change is inspiring enthusiasm for change. Over time, the structural measures described in other sections of this article will have their effect. But they will work slowly and grindingly. In the short run, what matters is what leaders say and whether it inspires enthusiasm for change—or the opposite.

Inspiring enthusiasm for change will imply a shift from the traditional mode of communication, in which the leader states the problem to be dealt with, followed by an analysis of the options, and a recommended conclusion.

Define problem >> Analyze problem >> Recommend solution

This is the "normal", the "common sense", the "rational" way of communicating and it is pervasive in organizations. It's an appeal to reason. And it works well enough when the aim is merely to pass on information to people who want to hear it.

But when you're trying to get human beings to change what they are doing and act in some fundamentally new way with sustained energy and enthusiasm, it has two serious problems. One, it doesn't work. And two, it often makes the situation worse.³

Successful leaders inspire enthusiasm for change through communication that is fundamentally differently from the traditional, abstract approach. They communicate by first, getting attention; then stimulating desire and only then reinforcing with reasons:

Get attention >> Stimulate desire >> Reinforce with reasons

When the language of leadership is deployed in this sequence, it can inspire enduring enthusiasm for a cause and spark action to start implementing it. Moreover successful leaders don't stop with a one-time communication. As implementation proceeds, it is inevitable that the cause they are pursuing will evolve. While that is happening, leaders and their followers stay in communication and co-create the future by continuing the conversation.

Let's look in a little more detail at each of the three key steps of the language of leadership.

Step #1: Getting the audience's attention

If leaders don't get people's attention, what's the point in even trying to communicate? If people aren't listening, speakers are simply wasting their breath. And in most settings today people simply aren't listening in any attentive way. They are mentally doing emails, preparing for their next meeting, reminiscing about what happened at last night's party, planning lunch or whatever. They may be aware in a vague, background way that someone is talking, and even conscious of the subject under discussion. The first step in communicating is to get their urgent, rapt attention.

How do you get people's attention? A couple of years ago, authors, Tom Davenport and John Beck conducted an experiment with sixty executives to see what got their attention over a one-week period. Their conclusion: "Overall, the factors most highly associated with getting attention in rank order, were: the message was personalized, it evoked an emotional response, it came from a trustworthy source or respected sender and it was concise. The messages that both evoked emotion and were personalized were more than twice as likely to be attended to as the messages without these attributes."⁴

Social scientists have also shown that *negative* messages are more attention-getting than positive messages. Among the more effective ways to get the audience's attention are:

- Stories about the audience's problems
- Stories about the likely trajectory of the audience's problems
- An unexpected question or warning.

Step #2: Eliciting desire for a different future

Failing to distinguish between getting attention and stimulating desire can have disastrous results. That's because what gets people's attention typically doesn't stimulate a desire to act. Whereas getting attention is generally done more effectively by negative content, getting people to want to do something different needs to accentuate the positive. Negative stories, questions or challenges wake us up. They activate the reptilian brain, suggesting fight or flight. They start us thinking, but they also generate worry, anxiety, and caution. They don't stimulate enthusiastic action.

Nor does the traditional practice of using a comprehensive set of analyses of the reasons for change generate enthusiastic action. For one thing, it's too slow. By the time the traditional presenter has reached the conclusion, sadly the audience has already made up its mind—largely on emotional grounds. For another, it's addressed to the wrong organ of the body. To gain enthusiastic buy-in, leaders need to appeal to the heart as well as the mind. The audience has to want to change. To be effective, a leader needs to establish an emotional connection and stimulate desire for a different future. Without the emotional connection, nothing happens. And stimulating desire is key, because decisions are made almost instantly, or as Malcolm Gladwell might say, in a blink.⁵

The task here isn't about imposing the leader's will on an audience, which, in any event, is impossible. It's about enabling the audience to see possibilities that they have hitherto missed. It means creating the capability in the audience to see for themselves the world and their relations with others in a new and more truthful light. It occurs generally through the use of a story.

The idea that storytelling might be important for leadership has been gaining recognition in recent years. But the kinds of stories that are effective for leaders in stimulating desire for change are very different from what most people suspect. Some of the most effective stories are not big, flamboyant, theatrical epics—well-told stories with the sights and sounds and smells of the context all faithfully evoked. Stories told with a bullhorn usually don't elicit desire for change.

What is often counterintuitive to leaders is that the most effective stories are often the smallest and the least pretentious. It's precisely because they are small and unpretentious that they work their magic. It's a question of understanding the right form of story to elicit desire: generally, it's a positive story about the past where the change, or an analogous change, has already happened and the story is told in a simple, minimalist manner.

Thus when in 2002 in Melbourne Australia, Craig Dunn, managing director of AMP's financial services, faced a hostile audience at a time of crisis, following a failed merger, he inspired enthusiasm for change through a simple story. He told them about a family in Adelaide that had bought one of AMP's insurance policies:

"The guy was still quite young, still in his early thirties, and he had a couple of kids. But he had contracted multiple sclerosis. He was just moving to the stage where he would be in a wheelchair. He had an income protection policy with us, and in that instance we went beyond what we were required to do legally. One of our claim managers had traveled over to Adelaide. He went through the house that we had just renovated for the family, and agreed to put in a new bathroom so that they could access it in a wheelchair, and to lower the kitchen benches."

In telling them what AMP had done for that family, Dunn was reminding them what the firm was all about, and the value that it added to people's lives. He showed them that this was an organization worth fighting for.

Three years later, when AMP had not only survived the crisis but was back on the road to profitability, Dunn said: "What I came to see was that the communication is more emotional than logical: we had to draw upon people's emotional connection to the organization, to draw on that piggy bank of good will to the firm and use that as the way forward."¹⁶

Such simple stories can be astoundingly powerful by sparking a new story in the mind of the listener. It's this new story that the listeners generate for themselves that connects at an emotional level and leads to action. In the new story, listeners begin to imagine a new future.

Quickly stimulating desire for a different state of affairs is the most important part of the communication: without it, the leadership communication goes nowhere. It's also the piece that is most consistently missing in the communications of aspiring leaders. And it's trickiest facet of leadership, because it involves inducing people to want to do something different. The key insight is that if the listeners are to own the change idea, they have to discover it for themselves in the form of a new story.

And it's not "just" a story. What's generated becomes a new narrative to live by, a story that is both credible, because it makes sense of their lives as they understand them, and capable of being put into practice. The newly emerging narrative is constructed both from the ongoing stories of the people and their organization, and the new story put forward by the leader. It is born in the listeners' minds as a more compelling version of their ongoing life stories. The listeners themselves create the story. Since it's their own story, they tend to embrace it. What the leader says is mere scaffolding, a catalyst to a creative process going on inside the listener.

Step #3: Reinforcing with reasons

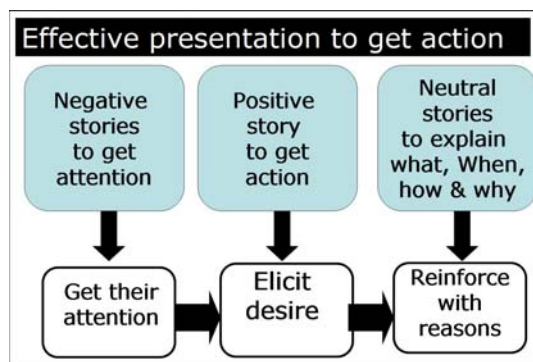
An emotional connection by itself isn't enough. Reasons are still relevant. The desire for change may wane unless it is supported and reinforced by compelling reasons why the change makes sense and should be sustained. But *where* the reasons are placed in a presentation is crucial.

When we encounter strange new ideas, psychological studies show that we seek to preserve our existing viewpoint. We stubbornly ignore, discredit or reinterpret information that is contrary to views we already hold, to avoid the dissonance of being wrong. By contrast, when we have made a decision to explore change, we actively look for elements that confirm the decision we've already made.

So if reasons are given *before* the emotional connection is established, they are likely to be heard as so much noise. Worse—if the audience is skeptical, cynical or even hostile—the reasons tend to flip and now are seen as ammunition for the opposite point of view. By contrast, if the reasons come *after* an emotional connection has been established with the change idea, then the reasons can reinforce it, because now listeners are actively searching for reasons to support a decision they have in principle already taken.

Giving people reasons at a time when they are ready to receive them is one of the keys to communication that leads to action. Reasons are put at a different position in the flow from the Western intellectual tradition. They come, not at the beginning or middle, but at the end.

These three steps—one, getting attention, two, stimulating desire for change, and three, reinforcing the desire for change with reasons, are the same whatever the leadership setting. Of the three steps, the middle step—stimulating desire for change—is the most important, because it generates desire for change. Without desire for change, there is no energy or enthusiasm. Indeed without desire for change, there is hardly any point in getting the audience's attention. And without desire for change, there is nothing for reason to reinforce. It's desire for change that drives the change process. So if transformational leaders do only one thing, they should make sure that stimulate desire for change.



5. Create that capability across the organization

If change is to be pervasive throughout the organization, then it's not enough for top management to be able to inspire enthusiasm for innovation. Many leaders will be needed throughout the organization, who in turn need to have the capability to create new

champions in *their* audiences. An ability to spark enthusiasm for change thus becomes an essential competence for all leaders in the organization.

As this competence usually requires a fundamental rethinking of the way communications are conducted in the firm, to acquire it, most firms will need (1) to establish training programs for all leaders in the firm; (2) to appoint mentors to support the development of appropriate capability and (3) to incorporate an ability to spark change in career planning for leaders.

6. Take structural steps to support change

These steps will have greater effect if they are supported by structural measures that support change.

- **Embody the change culture in action:**

The more immediately managers can involve staff in an actual or observed event, the more experiential the learning can be, the more likely it is going to have an impact on them. As managers, they can act as role models, embodying the support for change in their own behavior. They can conduct conversations that create interactive experiences that may nudge people to adopt new points of view. They can arrange visits to other people or organizations that are already implementing a change so as to give people a vivid sense of what's involved.

- **Set high standards for innovation**

In his insightful 2004 article entitled "Learning To Lead At Toyota,"⁶ Steven Spear describes how a senior American executive was groomed in Japan to be the manager of a Toyota plant in the US. On day one, the executive spent the first three hours observing his new workmate, and by the shift's end proudly reported that he had seven ideas, four of which he and his workmate had implemented. Then his supervisor told him that two Japanese team leaders who were going through the same training—people with jobs far less senior than the one for which the executive was being prepared—had generated 28 and 31 change ideas, respectively, within the same amount of time. Somewhat humbled, the executive picked up the pace, looking for more opportunities to make improvements and trying even more "quick and dirty" methods of testing ideas.

- **Align personnel policy**

It will help if the firm's reward and recognition systems are in tune with the new behaviors. Incentive systems may need to be adjusted so that managers and staff receive recognition and rewards for adopting appropriate behaviours towards change.

- **Remove perceived blockages to change**

Organizational processes and routines that tend to prevent change and senior managers' focus on accomplishing the existing game plane can become impediments to achieving a change-oriented culture. It is the function of top management to create a climate of openness where lower level staff are encouraged, and even rewarded, for telling the truth to power.

Conclusion

Each of six steps is realized independently; together they add up to a way of changing the behavior of people in organizations by changing attitudes about what can and should happen at work.

Once the six steps have been implemented, the organization must begin again. That's because there can be no peace of mind in the today's marketplace. What the firm has accomplished is never anything but a new starting point for further change.

BIO

Stephen Denning is a Senior Fellow at the James MacGregor Burns Academy of Leadership at the University of Maryland. This article draws from his recently published book, *The Secret Language of Leadership: How Leaders Inspire Action Through Narrative*, (Jossey-Bass, 2007). He worked for several decades at the World Bank, where he held various managerial positions, including program director of knowledge management from 1996 to 2000. He currently consults with organizations in the US, Europe, Asia and Australia on leadership, innovation and business narrative.

ENDNOTES

¹ L. Prusak and T. Davenport, *What's the Big Idea? Creating and Capitalizing on the Best New Management Thinking* (Boston: Harvard Business School Press, 2003).

² R. T. Pascale and J. Sternin, "Your Company's Secret Change Agents," *Harvard Business Review* 83, no. 5 (2005).

³ S. Denning: *The Secret Language of Leadership: How Leaders Inspire Action Through Narrative*, (Jossey-Bass, 2007), chapter 1.

⁴ T. Davenport, and J. Beck, Getting the Attention You Need. *Harvard Business Review*, 2000 (September-October 2000) pp. 118-126.

⁵ M. Gladwell: *Blink: The Power of Thinking Without Thinking*, Little Brown and Co, NY, 2005.

⁶ S.J.Spear, "Learning to Lead at Toyota," *Harvard Business Review*, May 2004