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Change management for finance and accounting professionals

Ronald Rael

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Change Management for Finance and Accounting Professionals

This publication tackles the often intimidating concept of instigating change. *Change Management for Financial and Accounting Professionals* removes the shroud of mystery and misunderstanding from this topic while providing you with a wealth of tools and tactics that you can use to lead a transformation effort. Technical accountants and finance managers are a dime a dozen while change agents are rare. The professional change agent who is able to get people and organisations to shift is sought after and commands a higher salary or fee. Once you master the tools that cause shifts and spark transformations, you will become a powerful professional change agent.

About the author

Ron Rael, CPA, CGMA, is a thought leader for the CPA profession on leadership and CFO/controllership topics. He is the CEO of the High Road Institute, a leadership development organisation. Ron has authored content on topics such as professionalism, customer service, budgeting, accountability, governance, risk management and strategic planning. He has coached more than 10,000 accounting professionals in organisations and leadership teams throughout the United States and Canada. Ron's industry experience comes from working in two large corporations, as well as from leading accounting teams in numerous closely held businesses.

These key elements are covered in this publication:

- Change happens; it is what you do with it that makes you important.
- You can either be impacted by change or you can impact change; a great leader chooses to impact change.
- Change and improvement are two unique events. The first one is inevitable, the second one is optional.
- Change is the journey, not the destination.

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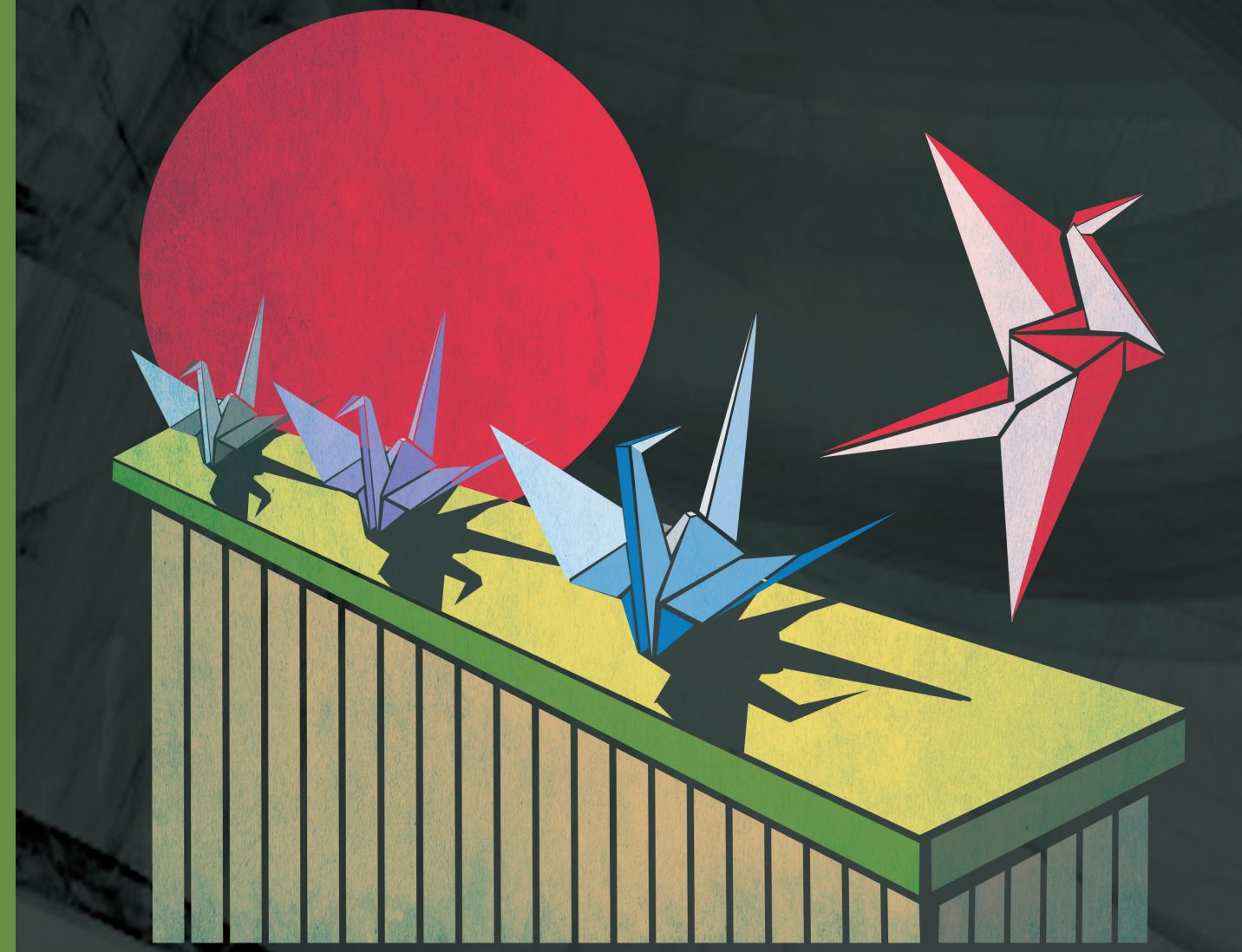
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CHANGE MANAGEMENT FOR FINANCE AND ACCOUNTING PROFESSIONALS

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CONTENTS

INTRODUCTION	1
Change Versus Shift Versus Transformation	1
This Book is About You	2
How to Use This Book	2
Who This Book Is For	2
How You Will Benefit	2
Tools and Threaded Case Study	2
Changes The Certified Accountant Will Experience	3
Mergers and Acquisition	3
Contraction and Growth	3
The Move to the Next Phase	4
The New Chief Executive	4
The Promotion	5
The New Business	6
New Technology	6
The Next Generation of Employees	7
Expectations on the Professional Change Agent	7
Payoffs for Being a Change Agent	8
The Real Value of the Professional Change Agent	8
Introduction of the Case Study Characters	9
Linda's Surprise	9
Tony's Return	11
1 THE MYSTERY AND MISUNDERSTANDINGS ABOUT CHANGE	15
Change Is Not Something to Be Feared	15
Change Is Inevitable and Usually Predictable	15

Intentional Shifts Start With a Purpose	16
Two Venues of Change	21
Venue 1—Change’s Impact at the Employee Level	21
Venue 2—Change’s Impact at the Organisational Level	22
Typical and Atypical Change Curves	23
Constant Accelerating Pace of Change	25
Drivers of Change in Today’s Global 24/7 World	26
People	27
Technology	27
Information	27
Customers	28
Climate	28
Lemons Into Lemonade	28
What It Takes to Make Positive Change Happen	29
Characteristics of a Global Change Strategy	29
Requirement for Change Alignment in Your Plan	31
How to Create Alignment in a Change Strategy	33
Stages of a Transformation	33
The Leader and Change	42
Pain Is Your Entry Door	42
Creating Momentum and Desire for Change	43
Creating Desire for Change	49
Overall Strategy for the Change Agent to Sell People on Change	49
Sustaining Momentum	50
Universal Points to the Transition Process	50
Shift Happens! Use It!	51
Do You Get It?	51
2 THE CHANGE AGENT’S PACKAGE	53
I Am a Change Agent First	53

Mind-Set Shift: No More Bandages	53
Change Agent's Attitude Shift	55
Flexibility	55
Curiosity	55
Partnership	55
Collaboration	56
Openness	56
Self-Activation	56
Why Won't Anyone Become Involved?	57
Accounting Is in Transition	58
Leave It to Beavis	58
Value Creation Expectation	59
Value Creation Shifts in the Accounting Team's Responsibilities	59
The Catch-22 of Value Creation Accounting	60
How We Must Respond to Value Creation Expectations	63
Mind-Sets That Enhance the Change Agent Attitude	67
Special Skills That Support the Change Agent Attitude	68
Special Skill: Personal Brand Manager	68
Special Skill: Teflon-Coated Toughness	69
Special Skill: Fortune Telling	70
Special Skill: Possibility Thinking	73
Special Skill: Forgetting the Good Old Days	73
Special Skill: Discerning Assumptions	74
Mind-Set Shift: I Will Challenge My Assumptions	74
How Assumptions Drive Solutions	75
Examples of Assumption Changes	75
Power of Assumptions	75

Mind-Set Shift: I Will Improve Problem Solving	78
Employ the Power of a Consultative Problem Solving Process	78
The Triage Version	79
Formal Consulting Process Version	80
Formal Consultative Approach Version	82
Mind-Set Shift: I Know What Role to Play	83
The Change Agent's Choice of Roles	84
Role Spectrum 1	84
Role Spectrum 2	85
The Spectrum of Your Change Agent Roles	86
How to Select the Appropriate Role for You	86
Mind-Set Shift: I Will Set the Scope Early On	87
Scope of Work in a Change Project	87
Scope Illustrated	87
The Change Project's Scope	88
Being an Effective Problem Solver	90
Mind-Set Shift: My Credibility Opens Doors	91
Mind-Set Shift: I Will Do My Best to Be Trustworthy	94
Trust to a Change Agent	94
Good Working Relationships Depend on Trust	95
Multiple Levels of Trust	97
Mind-Set Shift: I Can Make the Pain Go Away	99
3 FOCUS AREA #1—PEOPLE	109
The Impasse	109
Where the Heart Goes, the Body Will Follow	110
Why People Are Your First Focal Area	110
You Must Overcome Your Internal Inertia	111
Keys to Understanding the Human Factor (and Overcoming Inertia)	112

How to Get People to Shift	118
People Shifting Starts With Learning	119
Change Is Part of Our Nature	120
Four Stages of Learning	121
Progressing Through the Four Stages	122
Tactics to Instil the Mentality for Learning	122
People Learn Through Effective Feedback	125
People Transform When Learning	127
People Shifting Continues With Enrolment and Engagement	129
Inviting People to Change	129
Inducing People to Change	131
Shifts in Thinking and Learning Produce New Behaviours	132
People Take More Risk in a Trusting Environment	132
How to Obtain Engagement and Enrolment	134
Engagement Requires Proactive Participation and Enrolment	134
Tactics for Enrolling People	135
Tactics That Engage People	136
People Shifting Cannot Stop Despite Resistance	137
The Motivation Behind the Change Mentality	137
Why People Resist and Fear Change	138
A Change Agent's Tactics for Reducing Resistance	139
Gain Support of the Overall Plan	139
Gain Support for Plan Specifics	140
Handle Objections to the Plan	141
Remove Objections and Resistance to the Plan	141
Understand the Plan	142
Linkage of Learning New Information to Application	143
Change Agent Tools for the Human Factor	144
Tools Designed to Introduce Learning	144

Biases Hide Real Solutions	152
How to Get to the Real Cause of an Issue or Problem	153
Where Should the Buck Stop?	155
Tools Designed to Improve Enrolment and Engagement	161
Tools Designed to Address and Lessen Resistance	161
Power of Accountability	161
Using Consequences	163
Elsa, a True Change Agent	164
4 FOCUS AREA #2—CULTURE	167
My Garden of Weeds	167
Need for Culture Weeding Never Ends	168
Why Culture Is Your Second Area of Focus	168
No Walk in the Park	168
How to Frame the Question of Culture Change	169
Your Points of Entry	169
All Good Change Starts With the Mission	171
Culture: The Story of Your Organisation	172
Culture Basics	173
Components of Culture	174
How a Culture Story Is Written	175
Managing a Culture Must Never Be Downplayed	176
Impact of Culture on Success	176
How an Organisation Transforms	177
Leadership and Culture Transformation	178
Transformational Leader Versus Bureaucrat	178
Value of Both Leaders	180
Healthy Mix of Transformers and Bureaucrats	184

Your Game Plan to Globally Transform a Culture	184
How to Write the New Story	184
Inviting and Inducing Support for a Different Culture Story	192
Process for Getting Employees Excited About Change	193
How to Gain Buy-In and Win Support	194
Proper Method for Support and Buy-In	196
The Chief Executive Wants Learning and Improvement That Leads to Growth	201
How to Build a Change-Friendly Organisation	202
Why a Culture Transformation Takes So Long	203
The Take-No-Prisoners Option of Weeding	203
Harmful Weeds in Your Culture	206
Special Skillsets for Changing a Culture	214
Special Skill: Know How to Change and Shape a Culture	215
Special Skill: Advising Senior People on the Need to Change	219
Change Agent Tools for Transforming a Culture	223
Strategic Tools	223
Start Out With a Sample Benefit Statement	235
How to Reward Change-Friendly Behaviours	240
The Challenge With All Rewards	241
How Leaders React to Change	242
APPENDIX	245
Categories of Organisational Change	245
5 FOCUS AREA #3—PROCESSES AND SYSTEMS	249
Putting the Brain Back Into Your Systems and Processes	250
A System's Building Blocks	250
Benefits Created by a Good System	251
The Change Agent's System Improvement Plan	252
Your Game Plan to Make Systems Work Better to Deliver Value	252

System Change Starts With the Customer and Beneficiaries	254
Start From the Outside	254
The High Cost of Accounting's Disconnect	255
How to Know What Your Customer Considers Important	258
Changing a System Requires Learning	259
How to Collect the Ideas That Lead to System Transformations	259
Learning Must Never Stop	260
Importance of Information Chunking or Linking in Learning	260
System Change Ends With Defined and Delivered Value	263
Improve in Order to Deliver What Is Important	264
Measure the Important Things in Order to Deliver Them	264
Determine the Important Things in Order to Deliver Them	265
Flawed Systems Do Not Deliver Value	268
Your Tactics for Connecting the Dots in a System	269
Self-Directed and Empowered Employees Need a Plan	272
Change Agent Tools for Introducing Changes Into Systems	273
Value Delivering Systems Need High-Quality Processes	278
Your Brain Is Gone	278
Learning Culture Requires Employee Involvement	279
A Process Converts Work Activities Into Value	279
Do Not Blame a Functional System	280
Problems That Exist When Analysing and Improving Intangible Work	280
Tactics to Overcome These Obstacles to Improving Intangible Processes	283
System Transformations That Create a Change-Friendly Process	283
Managing Your Processes to Produce Quality	284
Black Box of Conversion	285
People Employ the Power of the Process	286
Analysis for Effectiveness	286
Process Value Comes From Effectiveness	287

Change Agents Tools for Process Transformations	289
A Process Transforms by Changing Assumptions	289
Clarify All Process and Systems Assumptions Up Front	290
Role of Assumptions in a Process	290
A Process Transforms Within a Value Chain	291
A Process Transform Occurs When Delivered Value Is Defined	297
A Process Transform Occurs With Consistent Execution	303
A Process Transform Occurs When Feedback Loops Are Designed	304
A Process Transform Occurs When Feedback Metrics Are Tracked	306
A Process Transform Occurs When Wasted Process Time Is Removed	310
A Process Transform Occurs When Continuous Improvement Is Built	315
Systems and Processes Are Also About People	315
Commit to Improving the Group That Leads a Change Effort	315
Why Teams Need Time to Develop	317
Leader's Influence on the Team	318
The Communication Factor in Change	318
Surviving Change Requires Flawless Communications	318
Change Agent as Communicator	319
How the Change Agent Needs to Communicate	321
Convergence of These Skills	322
How to Reward the Process Improvement Mentality	323
Finally	323
The Address Has Changed, but the Clutter Is the Same	324
6 HOW TO PREVENT BACKSLIDING	327
Regression Is Inevitable	327
Ways to Minimise Cultural Backsliding	329
Work at Learning	331
Keep Moving Forward	331

Using a Force-Field Analysis	332
Tactics to Minimise Employee Backsliding	336
Use Everyday Actions That Create Shifts	336
Improve Performance Evaluations	338
Use the 21-Day Rule	338
Change Agent Tools to Minimise Your Own Backsliding	339
Finally	345
7 A NEW BEGINNING: YOUR FINAL STEPS	347
Go Forth and Make Change a Wonderful Event	347
The Dandelion	347
Weeding Your Own Garden	348
Overcoming Your Roadblocks	349
The Obstacles in Your Path	349
Avoiding the Falsehoods That Management Accountants Believe Are True	350
You Can Do It	350
Not the End of Linda's Story	354
What Is Your Next Step?	355
Not the End of Your Story	355
Not the End of Tony's Story	357
Remember Your New Motto: If It Is to Be, It Is Up to Me	357
Remember: The Change Agent Is First and Foremost a Leader	357
Remember: You Are in Sales to the Chief Executive	358
Closing Words of Advice	360
Go Forth and Lead the Way	362

INTRODUCTION

If it is to be, it is up to me.

As you grow from a certified accountant to change agent, I will remind you that this book can be used to help yourself and others understand that change is not something to be feared. Change is inevitable.

Natural Law of Change #1

Change happens; it is what you do with it that makes you important.

This book explains how you thrive and prosper whenever you experience or need to foster a disruptive event. In this guidebook, you will learn how to become a masterful agent of shifts, improvements, and transformations. You will undergo many changes as you pass through the various stages of your career. The certified accountants who learn how to master the art of change find that they are highly sought after and earn much more than their peers. This leadership book tackles the often intimidating concept of instigating change. It removes the misunderstanding from it and provides 47 tools to lead a transformation effort.

CHANGE VERSUS SHIFT VERSUS TRANSFORMATION

A *change* is an inevitable or intentional deviation and is usually inherent in a system. We use the word ‘change’ for those times when we have little control over the event and yet, with each disrupting event, we always choose our reaction to it.

A *shift* is a form of intentional change in order to get a better result and adapt to a larger disruption or change and generally involves altering one’s mind-set before taking action. We use the term shift at those change events when we have more control over the event because we recognise the need for something different.

A *transformation* is a global change that has widespread impact because each event is a major disruption that creates the need for many people to shift how they think and act. Transformations can be something people instigate individually or collectively.

Some use these terms interchangeably but in this book I refer to change as a variation that is usually instigated by influences beyond our control. I use the word ‘shift’ to describe a small change, a gradual adaption, and an adjustment to one’s mind-set or expectation. I use transformation as the global need to act differently as an adaptive widespread response to change.

Remember: In any disruptive event, you may not always control the source of the transformation, but **you do** control how you respond to it.

This Book Is About You

The stories in this book may mirror your own struggles and challenges. Each day that you encounter challenges, treat them as opportunities to be an agent of change. Instead of hoping someone else will fix the problem, I hope that you will be the one to step forward and say, 'I can do it and I will'.

HOW TO USE THIS BOOK

This is a guide that lays out the transformation process in simple, understandable terms and concepts for the professional, who must make improvements or instil continuous improvement. Once you learn the concepts, mastering shifts comes from applying the lessons for problems that exist. This book can then be used to teach the material to your employees, peers, and clients.

You are also advised about pitfalls. A professional consultant knows that transformation is an organic process, which will be described in detail later. For now, just understand that when you change one thing for the better, you increase the odds that other things will change in unintended ways. Knowing about these pitfalls in advance helps you to address them before they crop up.

For the readers who prefer less complexity, each chapter contains natural laws of change and principles of change agency. These truisms sum up the innate realities or rules regarding change in all its forms.

Who This Book Is For

This leadership book is for accountants who see the need for improvement, whether the need arises from economic conditions, lingering problems, leadership neglect, status quo, or the demands of stakeholders. Traditionally, accountants are keepers of the status quo; however, in order to thrive within the transformations taking place, we need more accountants to stand up and be change agents. Even if you currently do not consider yourself a change agent, you will feel the need to proactively shake things up.

How You Will Benefit

This book covers the strategic areas you need to address as you go about making improvements in how work gets done. Your focus points include people, process and systems, and culture. You will learn the tools that change agents use to get their clients to work and behave differently for maximum effectiveness, productivity, and profitability.

Besides learning about the stages of transformation and the stages of mind-set shifting, you will see the congruency in changes for technology and new ideas, organisations, teams, and individuals.

Tools and Threaded Case Study

This book is written for the practitioner, and has been developed with practical strategies to help explain and assess the critical change management concepts found herein: tools and a threaded case study.

-
- **Tools** will be referenced throughout this book to help you assess, consider, and address both personal and business-specific change management issues. The referenced tools are available in electronic format as a downloadable component. Consider where and when to apply specific tools in your change management program.
 - A **Threaded Case Study** with fictional characters and situations has been integrated to help you contextualize the core content in this book. It is important to assess how various approaches, considerations, and theory can be applied in business settings. Carefully read through the introduction to the case study characters section found at the end of this Introduction and follow events related to the case study as they present throughout this book.
 - **Examples** can be found throughout the book to help illustrate, expand on, and enhance how different concepts and theories are interrelated and apply to real-world scenarios. As you read examples throughout this book, consider how they may relate to your own business experiences and how you might apply core theories discussed herein, in future business scenarios.

CHANGES THE CERTIFIED ACCOUNTANT WILL EXPERIENCE

During your career you may encounter the following types of changes, and each of them can have a deep and lasting impact. In order to avoid the negative impacts, being aware of the different types of changes creates the opportunity to apply the tools that are detailed in subsequent chapters.

Mergers and Acquisition

Fundamentally, mergers and acquisitions lead to culture changes due to a change in leadership philosophy. Whether a merger or an acquisition, each organisation has its own unique culture and once the transaction takes place, one of the cultures will prevail. Employees from the absorbed culture dislike this phenomenon and will resist adapting. Conflicts arise when cooperation recedes, trust is harmed, and miscommunication grows.

Another predictable outcome of mergers and acquisitions is employee layoffs, which is the ultimate setback for leaders and employees. Once rumours about layoffs commence, all sorts of negative behaviours arise. Accountants must be aware that this fear creates conditions ripe for fraud.

In addition, vendors and customers are affected by this change and unless their concerns are tackled early on, your employer can lose customers, which leads to lower sales and disappointed vendors.

Contraction and Growth

These frequent events are more internally driven than a merger or an acquisition, but just as devastating. Although there will be a transformation of the culture, the fundamental shift occurs from having to redistribute the workloads and the negative impact on the firm's finances and budget.

Although a contraction leads to layoffs, fast growth creates the need for rapid hiring and rarely do new employees add immediate value. In addition to the predictable negative shifts such as harm to communication,

cooperation, productivity, trust, and completion of goals, these two events, if mismanaged, can lead to loss of funding, customers, vendors, and good employees. These detriments can ultimately force the firm into bankruptcy. Accountants need to be concerned because fraud will often take place during these changes and the chaos created from a merger or acquisition.

The Move to the Next Phase

Up until the 1970s, business organisations could be counted on to grow steadily at 2–5 per cent. This trend is no longer the norm, so today organisations must plan for their next phase. Maybe your next step is a planned initial public offering. The next phase may be moving from a lax start-up to a structured middle-market company. Maybe your future lies in acquiring the competition or being acquired. Because of a rapidly changing marketplace, you may find you must rewrite the business model or strategic plan.

Moving to a next phase is like getting aboard an escalator for the first time. Because it is moving forward and upward—just like your customer base or marketplace—timing is vital and it is easy to move too soon or too late. Just as on an escalator, stumbling or losing your balance can occur, thus leading to public embarrassment. Accountants must be wary of this major change because taking advantage of opportunities or shifting the business model costs money; money and other assets can be wasted if the necessary actions are not taken.

In situations where risk grows exponentially, executives could easily hide bad news or place undue pressure on employees, customers, and vendors to get what they want, even if the plan or target is not viable.

The New Chief Executive

The chief executive is the person who sets the tone for the organisation and the team then assists in infusing that aura or feel throughout the organisation. Universally, chief executives have their own philosophy and wish to put their stamp on the organisation via the organisation's culture. (Culture is covered in chapter 4, 'Focus Area #2—Culture'.)

Even if the new chief executive is brought in on an interim basis due to illness, untimely death, bankruptcy, or preparation for a sale, this new leader will have an agenda. The chief executive's plan and how it is carried out will be different from previous chief executives. People generally hate surprises and a new boss with a new plan is very disconcerting. Typical shifts resulting from this change are withdrawal of support, disengagement, employee exodus, and creation or removal of silos. Shifts in allegiance and political power can also take place. I have witnessed open defiance and even hostility directed at the new chief executive.

A new chief executive may often change policies he or she does not agree with and may choose to replace a CFO with someone he or she knows.

The new chief executive, who represents the ultimate change agent, faces tremendous pressure to make things happen quickly, and this imperative will affect everyone in the organisation.

Example: Challenges Faced by New Chief Executive¹

As the worldwide economy recovers, the number of companies appointing new chief executives is on the rise. More and more new chief executives are coming to their position from the outside, as boards of directors look for new blood from other companies and other industries, in hopes of introducing fresh thinking into their executive mix.

The role of the chief executive has changed over the decade of the 2000s, 'as tenures become shorter and more intense'. This pressure can be especially hard on the outsider. Chief executives hired from outside of the company are almost twice as likely to be forced out, when compared to those promoted from within. This is from a study of chief executive transitions during the years 2000 to 2011.

According to the studies highlighted in this article,

[n]early 90 per cent of new CEOs on average have not been CEO before. Some have spent their entire career at the company they are now running; others have had no experience with the company at all. Some have run other companies; some are experiencing an entirely new level of responsibility with their new position.

The challenges faced by the new chief executive during their first year varies 'considerably, depending on where they came from, the nature and size of the company to which they have been appointed, and the geographies in which the companies operate'.

What can these new chief executives expect given who they are and where they work?

Naming a new CEO from among executives who have been with the company for years is by far the most common type of succession—for good reason. They know the ropes: they've worked for a few years with the executive team, they understand the company's complex corporate culture, they've had some contact with the board, and they've proven themselves to be capable within the company they will lead. So they can expect to feel more comfortable in their new role and to perform better than their counterparts from the outside. On the other hand, much will be new: executives who used to be equals are now their direct reports, they are now the face of the company as never before, they now report to a board rather than to just a single individual, and they know that the CEO's relationship with the board has changed dramatically over the last 10 years. The new CEO must manage these different dynamics carefully.

Every CEO is facing a short and intense tenure, with significantly greater pressure to perform and less room for mistakes. The first year of running [their] company will bring with it a common set of challenges, including when to enact major changes in strategy and personnel and how to manage one's personal life. The first year also represents a window of opportunity: it is a time when all the company's constituencies may be more expectant of—and open to—changes in emphasis and direction, and a time when the CEO can make an impression.

The Promotion

Now we get to a more personal change you will experience—a promotion. This event is a disruption for several reasons: your new responsibilities, a learning curve, shifts in your relationships, and often greater accountability and empowerment. Each time you obtain a promotion, your visibility increases along with your chances of failing. It is possible you may find yourself in a position that you cannot yet handle, similar to the Peter Principle.

Example: Peter Principle

The Peter Principle is the belief that a person who excels at his position is often rewarded with a higher position; eventually the employee exceeds his or her field of expertise. This phenomenon is an observation put forth in the late 1960s by Laurence J. Peter, a psychologist and professor of education. Peter wrote, 'In a hierarchically structured administration, people tend to be promoted up to their level of incompetence', or, as he went on to explain in simpler terms, '[t]he cream rises until it sours'. The study of this yet-to-be proven hypothesis has even found its way into Masters of Business Administration curriculum.

Some leaders who are not the genuine article are promoted to a leadership slot because of an expertise, accomplishment, or tenure and this common business practice leads credence to the belief that almost anyone in management can rise to a level beyond their competence. This is a primary reason that true leaders know that they do not have all the answers, rely on the wisdom of others, and commit to life-long learning.

Another shift that causes problems is when you move out of the rank and file and into management. Those co-workers you were once close to may view both your relationship and individual work status differently.

The New Business

A newly formed organisation is a real challenge to those who dislike change because processes, roles, responsibilities, and accountabilities are likely to be in a state of flux. Although this type of atmosphere can foster creativity and innovation, it can also be difficult to navigate.

The fundamental shifts that merit your concern in a newly formed organisation are its culture, people, and systems. The culture story is being written day-by-day, and shaping it is frequently neglected in favour of immediate business needs. Employees are often allowed tremendous empowerment, yet some will take advantage of this freedom. Due to the lack of structure, systems and procedures are sometimes non-existent so wasted resources such as time, money, and talent can go undetected or be ignored.

New Technology

Each day, your organisation relies heavily on technology. Technology allows you to do things faster and more efficiently and to reach more people or customers. However, the more you rely on technology, the more risks you take on. Every day you will hear stories of hackers that use technology for to harm or for personal gain. This means that your organisation needs greater oversight over its technology infrastructure. However, as companies spend more on new tech tools, they spend less on people managing them.

Accountants hate waste, yet one major cause of misspent dollars comes from your investments in new technology. Your biggest concerns in this sort of change are greater vulnerability, overbuying, lack of training, experiencing rapid obsolescence, or preventing employee misuse or abuse.

The Next Generation of Employees

This unstoppable change creates problems for companies because the needs, education, expectations, and experiences of generations Y and Z may lead to different and unpredictable values that conflict with current values. This means that companies will need to shift cultural norms and employment practices if you want to retain talented people. Huge investments in training, technology, and benefits will be necessary.

Along with these shifts to accommodate younger employees, the needs of your existing employee base will also require attention. A lingering recession and continued uncertainty will mean employees over 50 years of age will not retire any time soon. Experienced employees who are leaving the workforce have tremendous knowledge about your customers and products that must be captured and shared before they exit. The pressing medical needs of your more tenured employees' parents will mean that they need more time off, flexible schedules, and less than full-time work schedules. Because the new generation wants to be promoted immediately, you will experience battles over promotions and advancement opportunities. Finally, little money is being spent on training future leaders, which means that those who are promoted to management will not have the experience and acumen necessary.

The fictional case studies that run throughout this book address each of these changes.

EXPECTATIONS ON THE PROFESSIONAL CHANGE AGENT

In years past, all that was expected from the professional accountant was to be honest, trustworthy, and a competent bookkeeper. Today, the chief executive and all other managers have a laundry list of expectations, and if you work in management accounting your role requires you to fulfil these. Your employer wants each member of its accounting team to expand beyond the accountant's traditional roles and to adhere to the following criteria:

- Be an innovator*
- Build a reliable and dependable team
- Challenge the status quo*
- Create or contribute to an encompassing vision*
- Have a long-range perspective
- Have empathy
- Inspire trust*
- Lead by example
- Make things happen*
- Place a priority on people
- Balance risk*

In addition to all of your other traditional responsibilities, you need to

- be technically proficient, and
- maintain scepticism.

As you ponder this list, notice how many fall under the category of ‘shaking things up’, which are noted with an asterisk (*). Even if it is not stated in your current job description, the role of change agent is an expectation placed upon you. Today’s management accountant is expected to be a catalyst for positive change every day. One of the major reasons companies minimise accounting’s role and budget is accountants do not understand or recognise this expectation.

Payoffs for Being a Change Agent

If you want a long career where you earn respect, get support, find flexibility, have fun, and are challenged daily, then becoming a master of change is what you need to do. You must show that you embrace change and you like to lead the effort in improving things. To gain respect and keep your job, each day you must show that you are a true agent of change.

Over the years I have met and assisted more than 10,000 CPAs, CGMAs, CMAs, CFOs, and controllers. Those who held the highest reputation for accomplishment were professionals who transformed themselves into masters of change. I have also noticed that each of these professionals commanded much higher salaries than their peers who did not consider themselves responsible for shaking things up.

Similarly, I have witnessed a trend amongst professional accountants who work in public accounting or some other type of consulting practice. The consultants and advisers who proactively assisted their clients in improving operations earned higher hourly rates than the competition.

The Real Value of the Professional Change Agent

Chief executives want accountants who add to the bottom-line by increasing productivity, decreasing costs, creating efficiencies, finding and exploiting hidden opportunities, and solving non-financial problems. They call this ‘adding value’ and they want it done voluntarily. This means you must proactively seek out these problems in your company and figure out solutions without asking for permission.

The professional change agent who is able to get people and organisations to shift is usually sought after and commands a higher salary or fee. Once you master the tools that spark transformations, you will become a powerful professional change agent.

Job security, higher than average pay, greater respect, and a bigger budget are all nice, yet the real value of becoming a master of change is greater than all those. Many individuals attracted to the accounting profession are motivated or driven by accomplishment, challenge, variety, control, and freedom. As a true agent of change you will experience a wide variety of challenges and feel you accomplished something positive each day. With the empowerment granted, you control the outcome and have tremendous freedom. You will be rewarded and recognised. **Tool #1: Change Leadership Self-Assessment** can help you identify the way you currently view the process of change. This vital change agent tool can be found in the downloadable content that accompanies this book.

INTRODUCTION OF THE CASE STUDY CHARACTERS

Throughout this book, you will follow two case study characters: Linda and Tony. The situations in which they find themselves, their challenges, and their solutions are fictitious, but just might sound familiar to you based on your own experiences. The studies appear in each chapter and serve to highlight and further explain key concepts. Note that the stories about Linda and Tony are not in chronological order, but are instead presented so that they match the content in each chapter. For now, let's meet our case study characters.

Linda's Surprise

I am looking forward to meeting with Linda for lunch today. I want to find out if she is thriving as the Managing Director of a recently reorganised mortgage broker.

Linda confirms the meeting: 'Lunch is my treat and I have a big surprise!' I have heard interesting things about her company's resurgence. As I drive to our lunch meeting, I try to recall the last time we met face-to-face. It was nearly two years ago, long before she was hired as Managing Director. Linda earned the respect of the company's board because she was the only person willing to confront their chief executive on his questionable behaviours.

As I enter the restaurant, I see Linda sitting at a table. Her grin is a mile wide when she spots me, 'I have so much to tell you'.

Over the buzz of the restaurant we catch up on each other's professional lives and successes. Linda and I first met in public accounting. As Linda's supervisor, I got to know her well. Linda was not the stereotypical personality drawn to the accounting profession.

This book tells the story of Linda's growth as a high-level change agent. She is one of many accounting professionals who transformed herself from a professional accountant to a professional change agent. Linda's shift came as a direct result of passion for making a difference and obtaining support through coaching and mentoring. She continually seeks out opportunities to be a masterful instigator of positive shifts. Despite her current title and responsibilities as chief executive, she is first and foremost a change agent.

Toward the end of lunch, Linda says, 'I received the board's approval to hire you as our official consulting firm. Be ready because I really need your help to improve this company. My career and probably my reputation depend on accomplishing this. Are you willing and able?'

I smile as I shake her hand, 'Thank you for your vote of confidence. I believe I can if you believe you can shake things up. Where do we start?'

Background of Linda's Company

Linda now works for Exemplar Mortgage. Linda was hired to be the Managing Director in February 2008. Until 2007, Exemplar Mortgage (formerly EZ Money Lending) was a boutique mortgage broker in the business of providing long-term lending on very large, expensive residences. They specialised in lending to owners of mega-mansions.

EZ also specialised in making and bundling jumbo mortgages, which they sold as fast as they could make them. A jumbo mortgage is an amount above conventional loan limits, a standard set by Fannie Mae and Freddie Mac.

During the dramatic rise in the real estate market from the early 1990s to 2007, the company grew rapidly, around 18 per cent per year. More than 25 per cent of homes sold in the region exceeded conventional limits, so there was plenty of opportunity. EZ was a friendly competitor with institutional lenders, such as Washington Mutual. The chief executive of EZ, Wilbur Z, followed the practices of Kerry Killinger, his hero. Killinger was the former chief executive and then chairman who many say caused the default of one of the United States' largest mortgage lenders.

In order to grow, Wilbur applied tremendous pressure on sales employees to locate and secure these large loans and thus created an environment of rash risk-taking. One smart move they made was to sell the loans without recourse, which saved them from the default problems that plagued other lenders. During this time period, EZ Money acquired several smaller mortgage lenders as part of the growth strategy.

The company was profitable, but spent lavishly on its image and on perks for Wilbur and Laurence, the chief operating officer (COO). Wilbur was the deal maker and Laurence took care of all the back office operations.

When the crash came and Washington Mutual folded, Laurence quit. Wilbur stayed and desperately tried to hold the organisation together but it was beyond his ability to do so.

EZ Money's board worried about the repercussions of the banking collapse, Washington Mutual's closure, and the crash in the real estate industry. They hired Linda to do damage control and fill in for Laurence. Besides being a respected CPA, Linda's prior experiences in real estate, banking, and law practice proved that she was the right person at the right time.

The board gave Linda carte blanche to clean house, save the company, and get the company back on solid footing by reducing the risks from its lending practices as quickly as possible.

In one of her first strategic moves, Linda instructed Wilbur to lay off 70 per cent of the marketing staff and 30 per cent of the administrative staff. In addition, she instructed Jasper, the scared and timid CFO, how and where to reduce over 70 per cent of company's operating expenses.

Linda was surprised that employees who remained were constantly finding fault with her action plans. She thought that employees would support this improvement effort to save the company. Apparently Wilbur was popular and due to his lavish spending, was able to buy the loyalty of many employees. Initially she was described as 'the uncaring bully who forced Wilbur to do these hateful things to us'.

Within the first year of Linda's appointment as Managing Director, she engaged an independent firm to conduct a forensic audit because some of the sketchy financial data she was able to put her hands on did not make sense. This firm discovered that since 1996, the company had been receiving illegal kickbacks from certain real estate agents and from the companies they sold the bundled mortgages to. Laurence buried these kickbacks as fees collected for loan bundling. The accountants suspected, but could not find proof, that both Laurence and Wilbur pocketed some of these payments.

Linda felt obligated to take these findings to the board, even though she was warned not to by several executives, including Jasper, the CFO. The board, who started taking their governance responsibilities seriously, immediately fired Wilbur, but in a way to keep it private. Through their legal counsel they got Wilbur to sign a non-disclosure agreement and turn in his nearly worthless shares in exchange for awarding him a nice bonus. Everyone in the know was warned to keep this agreement quiet.

After wallowing around in indecision for five months, they finally agreed that Linda was the one to be the public face of the company. Linda was promoted to chief executive in February 2009.

Tony's Return

A few days after my lunch with Linda, I was at the airport waiting for a flight. While waiting, I see someone I know. I stand up as he approaches and say, 'Good morning, Tony'. He does a double take and after a moment's pause he recognises me and reaches out to shake my hand.

'Hey, Ron! Wow! It's been ages. How are you?'

After exchanging pleasantries and discovering we are on the same flight, we spend a few moments catching up.

I first met Tony in 1992 when he was preparing to sit for the CPA exam. He was doing informational interviews with various professionals to help him decide if he should go into public accounting or go directly into industry. Someone referred him to me and I gave him my perspective. A month later, I received a card that read, 'Thanks to you I decided get my experiences in public first. I believe it will give me a well-rounded background. Would you be willing to be my mentor? Even if you say no, please keep in touch, Tony'.

We did keep in touch and I followed his career with interest. I agreed to be his mentor when he entered public accounting with a local CPA firm and again when he became accounting manager for a large manufacturing company in 1994. We lost touch for a few years, then Tony resurfaced in my life and hired me twice as his personal coach when he accepted an assistant controller job and again when he was promoted to controller. In 2004, Tony's employer moved him to another state and communication between us stopped. I heard through mutual friends that he had changed companies several times, which in today's accounting profession is the norm.

'Ron, I have been meaning to call you. I desperately need your help! I am now with a mature, successful manufacturing company as their controller, a job I have always dreamed of. I started last December. Because we have been growing so fast, we lack structure and I am working way too many hours. I know there are things I should be doing, but I don't know what to do first. My boss, Sarah, said I could hire anyone I want for strategic advice. I thought of you and, thanks to synchronicity, here you are'.

This book relates Tony's story of personal growth and his emergence as a mid-level change agent. He was reluctant at first to make waves by introducing much needed changes and I had to convince him that he was already empowered and could take charge of what needed to be improved. Tony's main stumbling blocks were very obvious. He defined himself only as a technical expert and a number cruncher. Now he calls himself a master problem solver and has positioned himself for his dream job as a COO.

Background of Tony's Company

Tony currently works for the Clear Water Better Coffee Company (CWBC). CWBC is a manufacturer that produces a customised device for commercial and retail coffee machines. It makes a lightweight water filtration system that removes all the impurities in any type of water so that it tastes just like the coffee that you would get at a cafe. They sell to companies that serve the office coffee machine marketplace and as an accessory to personal espresso machines. As the industry has expanded, so has CWBC. Over the last decade they have seen a 15 to 20 per cent annual growth rate.

The company is situated in 3 different buildings; the manufacturing facility is located in one site, the second location is where the administrative and sales groups are housed, and the third building is where all the techies work (technicians, testers, and installers, along with repair and warranty personnel). There are a limited number of office parks in the area, so CWBC manages a 150-person company in 3 sites, some of which are miles from one another. It has been a management concern for years.

The company started in 1998 and for the first 3 years lacked an official chief executive, but when it grew to more than 50 employees, the board decided to hire Sarah as its first chief executive in 2002. She had a background in the coffee industry and with a capable board behind her, she helped steer the company through the pitfalls of its tremendous growth. CWBC is held privately by a consortium of 10 unrelated investors. The majority shareholder, Mr. Johnson, owns 39 per cent and is the primary decision maker for the board. One reason for CWBC's phenomenal success is Johnson's close personal ties to industry insiders.

For much of its history, the company has lacked an organised accounting group. It started out with a few bookkeepers and clerks. As the company grew, accounting manager Benny was added and then in 2005, at Sarah's insistence, the board approved hiring a controller. Unfortunately, she lacked previous experience as a controller and was overwhelmed. Sarah fired her. She was not replaced and the position remained open until Tony was offered the job as controller in November of 2008. He was really pleased to be able to work in his hometown and immediately relocated.

In May of 2009, Sarah resigned, citing a need to further her education. She moved to the east coast and entered a MBA program. Later that year, Jocelyn was recruited by Johnson to be the company's new chief executive. She came with an impressive background, having worked in sales and sales management for decades. However, her closest industry experience was in fresh food products; she had never worked in a manufacturing environment. She also lacked knowledge about the retail side of coffee. Despite this, Johnson felt that she would be perfect to take the company through its next phase of growth and maturity.

Endnotes

- 1 Ken Favaro, Per-Ola Karlsson, and Gary L. Nelson, 'CEO Succession 2011: The New CEO's First Year'. *Strategy + Business*, May 24, 2012. www.strategy-business.com/article/12207?pg=all.



THE MYSTERY AND MISUNDERSTANDINGS ABOUT CHANGE

Change is relentless and necessary, yet so few people know how to channel it properly.

CHANGE IS NOT SOMETHING TO BE FEARED

Natural Law of Change #2

Change is a process, not a destination. It never ends!

In a global sense, *change* is an alteration to a system to induce people to behave differently. Change can be an evolution or a revolution. A change can be big, or it can be small. Change can be personal and impersonal. Change can be an internal planned event, such as going from a private company to being publicly traded on a stock exchange, and an external one, such as having to relocate the entire business because of a rezoning ordinance. Either way it is an alteration to the existing system. Yet, any change raises concern in us humans.

Change Is Inevitable and Usually Predictable

A *change* is an inevitable or intentional deviation and alteration. It is usually inherent in a system. You always choose how you react to a change. You update your hair style because you notice grey hairs. You shift your wardrobe when summer turns to fall. You switch stores when a product you like is no longer available. The price of gas goes up so you alter your mode of transportation. These are examples of change and most of the time we have little control over the event. However, with each change event, big and small, you decide on how you will react.

A *shift* is a form of intentional change in order to get a better result and adapt to a larger change. It generally involves altering one's mind-set before taking action. You adjust your sitting position when you are uncomfortable. You adopt a new belief after realising an opinion you hold is outdated. You downsize your living space when your children move out. Notice that each of these can be considered an incremental change. You have more control over the event because you see the need for something different.

A *transformation* is a global change that has widespread impact. The United States went from an agrarian economy to a manufacturing economy, then to a service economy, and now an economic system built on

financial and technology products. People are embracing the need to recycle and use environmentally-friendly products. Certain countries are ridding themselves of a dictator form of government and trying out democracy. Business organisations are attempting to adjust to the needs of technology-savvy, multi-tasking, isolated employees. Each of these is a major transformation that creates the need for many people to shift how they think and act. Transformations can be something we instigate individually or collectively.

Positive transformation is driven by our true purpose. We only apply ourselves when we see the value of what we are doing, based on the perceived worthiness of the purpose. When we are clear about our purpose and our role in that purpose, we will put more energy into that purpose.

Some people use these terms interchangeably. In this book I will refer to change as a variation that is created by influences beyond our control. I will use transformation as the global need to act differently as an adaptive response to change. You may not always control the source of the transformation, but you do control how you will respond to it. When we use the word shift, I am referring to a small change, a gradual adaptation, and an adjustment to one's mind-set or expectation.

A *change agent* is the driver or catalyst who initiates change. You are expected to make things happen. The change agent strives to make shifts, introduce positive transformations, and help people get through the various stages of transition. As a professional accountant, you are expected to change the system and get employees to behave differently when things need improvement and problems need to be solved.

Intentional Shifts Start With a Purpose

Successful teams and organisations that thrive on shifting conditions consistently have a clear, empowering purpose or mission. This purpose serves as the group's declaration of independence or constitution because it inspires people to make that purpose real through the work they do. The true change agent will not put off decisions or actions that are needed to carry out the mission.

I will explain this through two examples.

Example 1: Purpose in a New Organisation

In 1998, I moved into a brand new condominium development. Because of my background, the developer asked me to form and serve on the initial board for the homeowner's association. I was naïve to this sort of living arrangement and owner self-management and heard many horror stories about what could go wrong. My intention was to put something into place that would head off the numerous lawsuits, disputes, and problems that occur when people try to live side-by-side as co-owners.

The first board created a mission statement, which read as follows:

Highland Homeowners' Association exists to create a safe, relaxed and high-quality living environment where

- we create a sense of community to share our common interests and celebrate our diversity.
- we build a sense of privacy, while living close to one another.
- we protect the value of our homes and the community.

Our intention was to create an environment amongst the 162 homeowners that would give us a focal point when we needed to come together for agreement or to settle differences. We presented it to the homeowners at the first annual meeting and I explained what we were attempting to accomplish. Many homeowners felt the same way; they also wanted to have a community spirit without interference in their ability to live as they saw fit, and simultaneously protect the value of their home, a major investment.

It paid off and still does. In our many years of existence, we have avoided the lawsuits and acrimony that most condo associations experience on a regular basis. In fact, through this intention and purpose, we were able to reach a win-win agreement with the builder and developer that enabled us to resolve several major construction warranty problems, worth \$3 million, without the need for an attorney or mediator.

Example 2: Purpose in an Existing Organisation

One of my clients, a government agency, had a leader who tried introducing a new and novel purpose. The culture of his organisation was a mind-set against changing with the times. Despite his best efforts, he was unable to get people to change as he desired. The roadblock he faced was altering the intention of those who worked in his organisation. Their overriding intention or goal (80 per cent of them) was to behave in ways to preserve their job and retain the influence and power they had gathered over their years of working in government.

Employees of this organisation could not see any benefit for cooperating with each other, or thinking creatively. Those who stayed in denial about the need to transform knew that this person would only be their leader for three years, so they could afford to wait him out through passive resistance. This person only succeeded in making a few improvements before he retired. His replacement had to fight the same 'no change' intention in order to get the organisation to transform as he knew they needed to.

Change Agent Principles #1-5

As a professional accountant you are a change agent!

The impetus for change can arise from anywhere.

People have an implicit cost-benefit analysis they use in an attempt to change a behaviour.

Employees create a psychological contract with the employer that implicitly and explicitly defines the terms of the exchange that they expect.

The change agent views anxiety over change and resistance as valuable feedback.

Case Study of a Change Agent's Understanding About Leading—Linda

Recall our fictitious case study characters Linda and Tony. Linda demonstrates her understanding about people and why employee morale matters.

She Gets It

An enlightened viewpoint is a prime directive of accounting. Know that accounting is not about the numbers. Accounting is about what people do with the numbers.

Unfortunately, very few CPAs and non-CPAs follow this directive, yet I understand why. Accounting courses in high school and college are about debits and credits, costs, allocations, and theory. Most of the CPE courses offered today are about spread sheets, cash flows, principles, legal issues, and compliance. This leads to accountants who believe that accounting is an end-all be-all activity, and that the role of the accountant is to make the numbers balance and enter them into the right account or line item.

Linda was different and I sensed this early in our professional relationship. We had many discussions about accounting as a necessary tool for managers to move an organisation forward.

Accounting and a Sports Car

Linda developed this analogy: Running a business is like operating a superior high-powered sports car. This vehicle contains thousands of components designed to work together to give the driver and passenger an exhilarating experience of forward motion. Running a business organisation is like operating that superb sports car. All of the items within it must be in tune and work in concert to achieve sustainable progress.

To her analogy I add that accounting is like the speedometer and gas gauge of that sports car. The speedometer instantly informs the driver how fast the car is going, and the fuel gauge informs the driver if there is sufficient fuel. Our accounting reports, akin to the speedometer, must quickly communicate the rate of growth. Our cash flows forecasts, akin to the fuel gauge, let the executive know when to fuel up with cash at the preferred lender. If your sole focus is on these two gauges, you will miss the hundreds of other operations that impact business performance.

As an accountant, Linda always wanted to peek under the bonnet of every car she worked on, meaning she wanted to understand how the business operated. She wanted to know what went on in the mind of the chief executive who made poor decisions. She was so inquisitive that occasionally a supervisor would warn her, 'Stop asking so many questions. It scares the clients'.

Two other things that Linda was concerned about were (1) the morale of the organisation and the leader's influence, and (2) why employees behaved the way they did, which was often driven by employee morale.

One of her favourite assignments was to serve as a forensic accountant for a company whose CFO embezzled millions. She wanted to know 'why' after she had uncovered the 'how' of his actions. She discovered that this CFO's attitude was extremely negative and this affected employees. Even though some of the employees suspected that money was being embezzled, the CFO's prickly, overbearing personality intimidated employees so much that they never reported their concerns. She wanted to know why the chief executive ignored her employee's bad attitude for years, which started about the time he began to take what did not belong to him.

Linda thrived in situations like this where the human factor superseded internal controls and good sense. I was the only one to encourage her curiosity, which I think is why I became her informal mentor. The following traits all contributed to her ability to be a change agent: seeing accounting as an art instead of a numbers science, always being curious about how a business operates, wanting to know why people do what they do, and paying close attention to employee morale, which helped her understand the risks.

The moment Linda realised that most of her supervisors and colleagues in public accounting preferred the science—making the debits and credits balance and putting the number on the correct line item—to the art, she knew that she had outgrown public accounting and wanted something more.

Seeking Advice

We met for lunch at a time when I was controller and de facto CFO for a large electronics company. Linda announced, 'I have to make a change! The partners keep telling me that I must stop wanting to know why and demand that I focus on the theory of accounting. I am bored with that. I want to make a difference in ways that help a company be more successful or help a CFO retain staff. Developing a spread sheet designed to tell a client which asset they are considering has the most return on investment is not what I want to do with the rest of my life. What do you think I should do?'

I hesitated, 'I do not like to tell people what to do. You like working on strategic issues. You prefer to work with smart, open-minded decision-makers. You like relationship sorts of problems. You crave to know why instead of how. You are tenacious'.

'So who would need those qualities in an employee? Tell me the jobs or roles that come into mind', Linda persisted.

I noted some suggestions, 'Project manager, management consultant, sales or marketing, development officer in a not-for-profit. Do any of those sound exciting to you?'

'Not really. A project manager needs to focus on details, which I detest. I don't think working for a commission is for me, nor is asking people to give money. And a consultant is someone who works for herself, right?' Linda grimaced.

I responded, 'At times. As a consultant you wear many hats. You are constantly making pitches and preparing proposals. You deal with details and strategic issues. You have to sell repeatedly to bring in business, whether you work for yourself or someone else. You might have to ask others for money to fund research'.

'Any other profession you can think of?' Linda, asked, looking doubtful.

'Banker. A lending officer uses most of those traits I mentioned, and a banker with strong accounting skills is an asset'.

Linda nodded pensively. 'I have to think about that one'.

Good News

Several weeks later, Linda dropped by my office.

'I just got a job as a loan officer!' She named the bank. 'I am scared, but I think it is a step towards what I want to do'.

'Congratulations!' I said.

For about an hour we chatted about her new job and her concerns. I suggested that she develop a list of career related goals that she wanted to accomplish, whether it was at this organisation or another one. I also suggested that she develop a business diary to keep track of her learning and her insights, and to use as a place to jot down her questions. 'Use this journal to write down your questions. Later, you can find the appropriate time to ask your questions. You may find that you discover the answer to your question before you have time to ask it'.

Linda then said, 'As I reflected on what you told me about my skills, I realised that I really want to be a change catalyst. That is probably what attracted me most to the job as a lending officer-in-training. I can help companies grow by providing the necessary funds. I can work closely with business owners and hopefully help them be more strategic'.

So Linda entered banking. Her first job was an analyst, supporting lending officers in making their loan decisions. She was soon promoted to full-fledged lending officer, a job she thrived at. With her next promotion she left finance behind and became an operations supervisor. Within the bank she held several non-finance jobs, each time moving up another rung in the ladder. Linda probably would have stayed with them for her entire career, but the bank merged and most of the jobs left the state. After eight dedicated years, Linda had a choice to make: relocate or resign. She chose to stay and leave banking in her rear view mirror.

Linda went to work as a project manager in a real estate development company that was one of her loan clients. When they ran into financial difficulties, the company's legal counsel offered Linda a job as their CFO, which got her back into accounting. In her active career she later worked for a large credit union (branch manager) and a mortgage bank (CFO). All this time Linda was honing her leadership and change management skills, and at each place Linda boosted the morale of her team and the organisation. Meanwhile, her job responsibilities grew as she came closer to her dream of becoming a chief executive.

Linda's most recent career move turned out to be risky. After the mortgage industry's meltdown, she was recruited to be the Managing Director of EZ Money Lending.

TWO VENUES OF CHANGE

Natural Law of Change #3

Change produces anxiety. Anxiety produces resistance.

Venue 1—Change’s Impact at the Employee Level

Nearly all employees define a psychological contract with their employer that implicitly and explicitly defines the terms of employment. This mental agreement has to do with what the employee expects from the employer. Every employee goes into a job with a minimum expectation for things such as the following:

- Loyalty
- Consistent pay check
- Regular evaluations
- Raises
- Safe work environment
- Meaningful or challenging work
- Fair treatment
- Recognition
- Attention to needs
- Constructive and useful feedback
- Open lines of communication
- Room for development or advancement
- Limited bureaucracy
- Positive atmosphere
- Cooperative and caring co-workers
- Supportive boss
- Most importantly, confidence in the leaders

The longer an employee stays with the organisation, the more cemented and extensive this psychological contract becomes. Notice that very few of these expectations are ever guaranteed, yet employees expect these to exist when they come to work.

What do you think happens when this unstated contract gets shifted by the boss?

Example: Resistance to a Money Saving Idea

An acquaintance works for an international company that, due to a broad cost containment strategy, outsourced most of the traditional services provided by human resources (HR). She functions as a problem solver and her job is mostly to respond to employee calls and e-mails for assistance. Even though the HR function has been gone for years, employees and managers still want to rely on the human touch. The employees of this Fortune 100 Company have an expectation (that is, a psychological contract) for a caring human being to assist them with HR issues. They only use the outsourced resources as a last resort. Policies and procedures have not shifted employee behaviour in this area despite the change in philosophy.

This story illustrates what commonly occurs when leaders attempt to make a global shift and how it affects the employee's unstated contract. Now let's explore why employees stick to the psychological contract.

People have an implicit cost-benefit analysis they use in an attempt to change behaviour. We naturally feel that when the perceived cost outweighs the perceived benefits, we will lose out. In reality, people do not automatically resist change because they face and deal with change every day. What leaders forget is that it is natural for people to resist something when they feel they have no say in the matter. The pain we feel comes from the loss of the following:

- Control
- Power
- Influence
- Livelihood
- Net worth
- Status
- Security
- Safety
- Face
- Connection

To be successful as a change agent, you need to prove to the employees that the benefits of the change far exceed what they are 'giving up'. Your role is to use marketing as a tactic. This means you must become adept and confident at selling the reasons and benefits of change. Convincing people of the need to shift or change will be covered in chapter 3, 'Focus Area #1—People'.

Venue 2—Change's Impact at the Organisational Level

Change agents are creative people. They see things that do not exist and create them. They are willing to go where no one has gone before. Great leaders will set their sights on a goal with an understanding that making the attempt is a necessary step towards achieving the goal. Global or organisational transformations are often the most difficult to introduce and experience because more people are affected and this impact could be different for each person. The best place to start is by developing a global change strategy. This is your leadership team's big picture plan for the transformation and identification of the issues.

Example: Working Hours'

The people going to work 'will not leave at 5:00 p.m. or 6:00 p.m. or even 7:00 p.m. Chances are they will use the commute back home to do any tasks they didn't complete in the official workday'. The people you work with will probably 'carve about an hour or two before bed to do still more work. A normal work week for [someone you know] today is more like 60 hours'.

The 40-hour workweek feels like a vestige from the time when the labor movement proudly distributed bumper stickers proclaiming, Unions: The folks who brought you the weekend. Construction workers and others still do clock in and clock out at 40 hours per week. But with declining unions, the tech revolution, the rise of global commerce, and the advent of smart phones and laptops the very idea of a structured job week that ends at quittin' time on Friday afternoon seems quaint.

'In the United States, more than 85 percent of men and 60 percent of women work more than 40 hours a week, according to UNdata, the United Nations statistics division. Americans are already known to be the most productive workers on the planet, yet there's pressure to work more'. A 29-year-old architect who works in Seattle for a New Jersey-based engineering firm told his story. This family man said in the article, 'Business is a six-day-a-week thing in New Jersey'. He has to run his life around east coast time, because that is what his employer expects.

'It is a pressure imposed by executives and supervisors but also deeply ingrained in the expectations workers develop for themselves'.

There is a cost to the never-ending workday. 'Working 50 to 60 hours a week feels like a curse and a blessing that same time'. It is a constant battle of needs for your personal-self and career-self. 'But in this tug-of-war between work life and personal, work usually wins'.

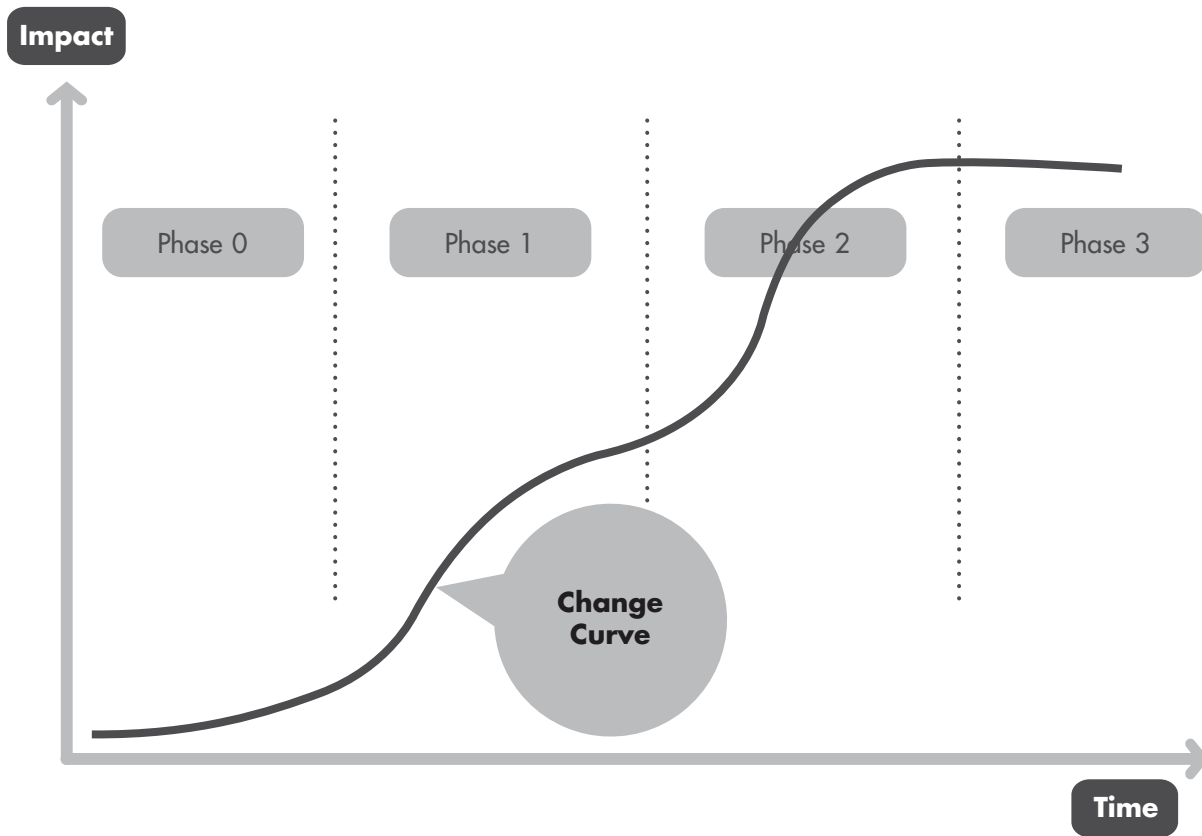
This example illustrates not only the dramatic change curve your organisation is undergoing, it also describes its impact on employees and how the organisation's employees are adapting. You have wondered, more than once, 'Why am I working so many hours?' The high-level answer is that you and I are in the midst of a major disruption, a sweeping change curve that is explained next.

TYPICAL AND ATYPICAL CHANGE CURVES

A major change or disruption can come from anywhere. Their predictability is usually more recognisable in hindsight, such as the severe overpricing in the real estate market and the inevitable crash, which was a readjustment to get the price back to reality in economic terms. Even as pundits and economist claim they knew it would happen, everyone participated in the run up and no one could foresee how devastating the adjustment would be. The change had many lingering effects or consequences such as bank failures, tightening of credit, and foreclosures.

Despite what seems like the randomness of changes like this one, they all follow a pattern, which can be described in four predictable stages, as shown in figure 1-1.

Figure 1-1: Transformation Change Curve



Phase 0: The new idea seems impossible to everyone but the dreamers, poets, or fiction writers.

Phase 1: The prototype is introduced and the early adopters see its value and become its evangelists. At this stage, only courageous people buy into it and they are dubbed by others as "those crazy people."

Phase 2: Everyone else notices the value and give into the urge. This is also called the tipping point because as the change enters the third phase it becomes a sweeping transformation.

Phase 3: The 100th Monkey phenomenon has been reached and the change becomes the norm and is no longer considered new. People who now have adopted or adapted to it say, "It's always been this way!" After a time in phase 3, the change may be replaced by another new idea, product, or attitude.

Example: 100th Monkey Theory

This is a proposed theory in which a learned behaviour spreads rapidly from one group of monkeys to all related monkeys, once a critical mass of adopters is reached. It means the instantaneous spreading of an idea or skill to the remainder of a population. The story of the 100th monkey effect was published in Lyall Watson's foreword to Lawrence Blair's *Rhythms of Vision* in 1975, and spread with its appearance in Watson's 1979 book *Lifetide*. The claim is that unidentified scientists were conducting a study of macaque monkeys on the Japanese island of Koshima in 1952. These scientists purportedly observed that some monkeys learned to wash sweet potatoes and gradually this new behaviour spread through the younger generation of monkeys via observation and repetition. Watson reported that these researchers observed that once a critical number of monkeys were reached, this newly adopted behaviour instantly spread across the water to monkeys on nearby islands. This story was further popularised by Ken Keyes, Jr. in his book *The Hundredth Monkey*, which is about the devastating effects of nuclear war on the planet. Keyes presented the 100th monkey effect story as an inspirational parable, applying it to human society and showcasing the effect of positive change. Since then, the story has become widely accepted as fact.

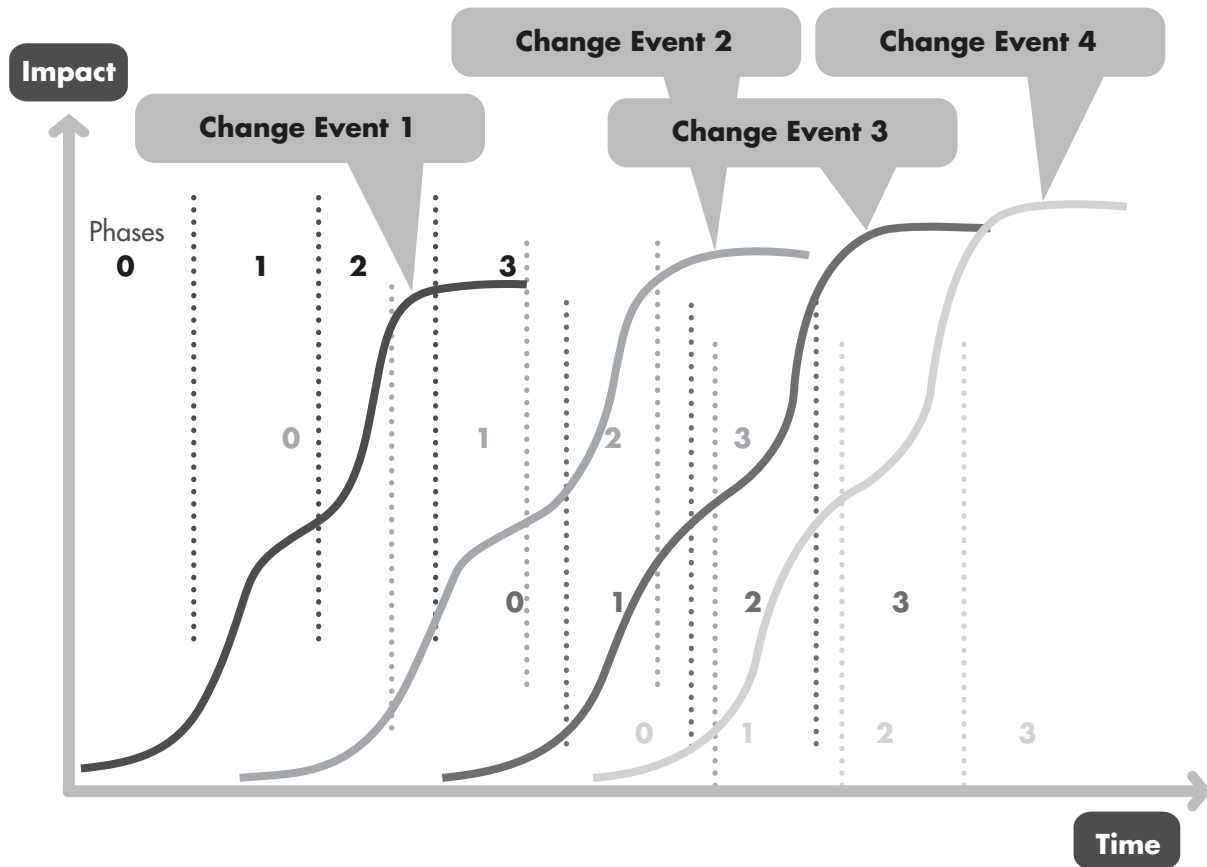
Constant Accelerating Pace of Change

At one time, this transformation cycle took centuries due to prevailing conditions, such as the lack of reliable and fast communication channels. Once those problems were addressed by their own changes, the typical change curve lowered to the 30–50 years range.

The transformation cycle currently runs its course in less than three years. As the pace of changes increase, there are more of these curves for us to deal with. They will hit us faster and often deeper than the previous change.

In your lifetime, change curves are happening faster and faster and resemble the change curves shown in figure 1-2.

Figure 1-2: Closeness of Change Events



To demonstrate the constantly disruptive world we now live and work in, consider how the Internet has changed the way we now get information. It was not that long ago when newspapers delivered the information we now have at our fingertips with smartphones, computers, and tablets. Similarly, cellular phones and internet phone applications (such as Skype and FaceTime) have dramatically changed the landscape of how we talk with one another.

Natural Law of Change #4

Life is coming at us faster and faster. Complexity of life grows each day.

DRIVERS OF CHANGE IN TODAY'S GLOBAL 24/7 WORLD

What is causing this phenomenal transformation of our world as we move towards a global interconnected and wired marketplace?

This week, as you put in your typical 55 hours, deal with over 1,400 e-mails and at least 100 text or Facebook messages, and struggle to find the time for personal pursuits, please realise you are not alone. The average office worker spends more than 2 hours, 14 minutes per day just dealing with the deluge of e-mail.²

People feel that they will never get caught up with the multitude of tasks assigned to them. Maybe because the average office worker is busy transmitting the information equivalent of 6 newspapers each day and receiving 174 newspapers of data, much of this in the form of video and photos.³

Today, we live in an interconnected world where you are on call nearly 24 hours a day, 7 days a week. Nearly 62 per cent of at-work e-mail users check work e-mail over the weekend and 19 per cent check it 5 or more times per weekend. More than 50 per cent of employees surveyed said that they check e-mail for business reasons while on vacation.⁴ There are 5 major drivers or influences of what we see changing around us.

People

We are producing a lot of people at an ever growing rate. In the pursuit of their dreams, people compete for scarce resources. People, as they become educated and knowledgeable, come up with new ideas. People have flocked to social media, which created several companies that do nothing but move bits of data from device to device yet are worth billions.

Technology

This change driver is a by-product of people and follows the same trends as the people driver. Once upon a time, people were cheap and technology was expensive. Any problem we faced, we threw people at it. This has changed to people are expensive and technology is cheap. Therefore, businesses, governments, and even families look to technology to lower their costs. Well over 80 per cent of technological advances we have today have occurred since 1900.

Information

This driver connects technology to people. Knowledge has and always will create transformations. Today, far more knowledge reaches people faster; technology has made it easy for news and misinformation to be known around the world in minutes. When people are informed, it takes power or influence from those who hoard it. Availability to information means more demand for change and greater demands for more information. This is why dictators always deny access to information as one of their first ways to subjugate people. He who controls the media controls the agenda.

Example: Information Overload

'The quantity of information in the world is soaring. According to one estimate, mankind created 150 exabytes (billion gigabytes) of data in 2005. This year, it will create 1,200 exabytes. Merely keeping up with this flood, and storing the bits that might be useful, is difficult enough. Analysing it, to spot patterns and extract useful information, is harder still. Even so, the data deluge is already starting to transform business, government, science and everyday life. It has great potential for good—as long as consumers, companies and governments make the right choices about when to restrict the flow of data, and when to encourage it.⁵

Customers

The purpose of a business is to satisfy a customer and the prevailing credo is that ‘the customer is always right’. So businesses move heaven and earth to satisfy their fickle customers, which leads to transformation. Informed customers are more demanding and (in some cases) make better purchasing decisions.

Today’s customer wants things faster, cheaper, and better, which means that businesses need to find ways to lower their cost structure. The traditional formula for this has been to rely more on technology and have less people on the payroll.

Example: Amazon.com

The emergence, growth, and acceptance of Amazon.com’s business model led to the demise of traditional book stores. Amazon created a way to deliver its digital products instantly available to customers with the Kindle® and its reliance on Whispernet®. Through its Amazon stores, the company made it easier for small companies to sell their products worldwide using Amazon’s technology. Already, some text books for college, high school, and even elementary students are on tablets, like Kindle, instead of paper.

Climate

The world’s weather patterns are changing. It does not matter whether you buy into global warming or not; the weather we are used to is different. The science is clear that without rapid and drastic cutbacks in greenhouse gas emissions, the changes are likely to threaten life, property, and Earth’s biosphere in all sorts of ways—including melting glaciers and worsening weather crises—by the end of century, and in many cases much sooner. In fact, some of these changes are already happening.⁶

Example: Our Warming Earth

The current warming trend is of particular significance because most of it is very likely human-induced and proceeding at a rate that is unprecedented in the past 1,300 years. Earth-orbiting satellites and other technological advances have enabled scientists to see the big picture, collecting many different types of information about our planet and its climate on a global scale. Studying data collected over many years reveal the signals of a changing climate.

LEMONS INTO LEMONADE

Natural Law of Change #5

Change is a neutral event. How people react to it imbues it with its quality, such as bad or good.

As a master of change, you must adopt a new way of looking at change and it comes from the adage: When life gives you lemons, make lemonade. I add another one: In the game of life, always play the cards you are dealt.

As you face change, you must find ways to embrace it and use it to your advantage. That is why you become a change agent, to know the best ways to react when a change is about to overwhelm you, or you must instigate a change.

What It Takes to Make Positive Change Happen

When change comes fostered by these drivers, an organisation can ignore or deny it, weather it, or proactively prepare for it. The organisations that have survived with transformations fostered by the five Drivers of Global Change unanimously took the third option. Today, the role of the change agent is in place to ensure their employer proactively prepares for the next big wave or earthquake of transformation, such as the three trends⁷ identified recently at a global conference sponsored by the National Intelligence Council, part of the United States Intelligence Community:

1. *A Rebalance of Where People Live and Work.* An overarching development, over the next couple of decades, can be summed up in three words: the great rebalancing. Developing economies will attract attention. As these countries become more urbanised, there will be a massive shift of influence from West to East. An estimated 1.5 million people per week will move into cities, with billions of people rising out of poverty and into the middle class, shrinking family sizes, and creating greater disposable incomes and consumption. For the first time, major cities in the United States and Europe are likely to fall out of the world's 'top 50' population centres.
2. *The Declining Influence of the Western Powers.* The United States will still have power, but it is losing influence on issues that it sees as essential to its national interest. In other words, power does not always translate into outcomes. Things are clearly changing for the United States and the West. A transfer of power is occurring from the North and West to the East and South. Transfer does not necessarily mean decline, and the rise of India and China as world powers should be welcomed, not feared. The rise of a multipolar world is not the end of history; it will bring 'the beginning of new stories'.
3. *A New Definition of Security.* Territory is the traditional basis for security. A change is predicted in the 'flow of security', which involves interaction and process and not geography. The idea is that whoever controls flows and networks—related to things like energy, information technology, or organised crime—wields power and influence. In a world of flows, smaller and agile nations such as Sweden or Vietnam can gain advantage, whereas large, slow nations can find themselves at a disadvantage. These new flows—different from the traditional ones of land, wealth, and armed forces—must be part of what the 2030 landscape will look like.

If your organisation is ill prepared for the world of 2030, it will cease to be relevant. This is why you must step up to a role as master of change and encourage your employer to recruit more employees to take on this vital role. The work to proactively prepare for change, in whatever form it comes at you, is to develop a solid change strategy.

Characteristics of a Global Change Strategy

Your change strategy provides direction, which will result in informed decision making throughout the change process. A well-formulated strategy brings the major project, change, or transformation to life, describing who and how it will impact your organisation.

Box 1-1 outlines elements of change management strategy.

Box 1-1: Change Strategy Management

The elements of your change management strategy include the following:

- *Situational Analysis*: An understanding of the change and who is impacted.
- *Supporting Structures Analysis*: A definition of the team and sponsor structures.
- *Strategy Analysis*: Named risks, resistance, and special tactics.

By understanding the transformation that is being introduced, change can be faced in a formalised manner to understand the characteristics and nature of the change. In the plan, you address information necessary for

- change characteristics and areas that will be different or remain the same.
- areas that will proactively be changed—processes, systems, and job roles.
- groups impacted directly and indirectly.
- structure of the change management team.
- duties and authorities of the change management team.
- sponsors for the overall program (usually who is paying for it).
- risk assessment of vulnerabilities and mitigation.
- anticipated resistance and how it will be overcome.
- timeframes of the change and outcomes.
- special tactics and tools needed.

From this strategy map you develop a formal plan to face the change head on. Your change plan deliverables are roadmaps of communication channels (existing and new ones), sponsorship, coaching, skills training, resistance management, and reinforcement (including rewards and behaviour modification) management.

The contents of a sound change strategy must address the following issues to ensure the plan goes smoothly and swiftly:

- A clear vision of the end-state
- An integration of the overall change plan with small scale changes already in progress
- A decision to be in the learning mode
- A clear and on-going commitment from every leader
- A series of tactics for improving the process and speeding up the pace of the change
- Identified tactics for shifting and reinforcing behaviours
- Identified tactics for maintaining a change-friendly mentality

Nothing can be more detrimental to a change transformation than for the master of change to engage in any of the following behaviours:

- Rigid inflexible thinking
- Giving up hope easily
- Giving in to fear
- Being impatient
- Not supporting people undergoing change
- Criticising change
- Losing your composure
- Undermining other's efforts during the transition
- Stop supporting the change plan

Requirement for Change Alignment in Your Plan

We have all been in a vehicle that was out of alignment. Whatever was wrong, it made for an unpleasant ride. The same issue applies to change strategy.

Natural Law of Change #6

Few major or transformational changes are isolated, one-time events.

Change in most organisations is on-going and often an organic continuum of small and large shifts and transformations.

Any strategy that addresses how to deal with a global change must have alignment and this starts with the mission. Whenever people feel a change coming they need a context to connect it to. This must be the organisation's purpose. If your firm's mission states, 'We will provide the highest quality service in the industry', then any improvement or change will need to be in alignment with that intention. Employees fight and rebel against change when they do not see a connection between what they are being asked to do and what the firm is about.

Some organisations need institutional managers, and others need change agent leaders. The wrong match leads to long-term destruction. That is why the true master of change is excited about putting fresh ideas to the test. Enthusiasm must prevail until the end state is reached because a leader always makes sure the job is completed.

Example: Klean Reactors Global Change Strategy

Background

The services firm of Klean Reactors (KR) has a unique niche. The firm provides an onsite inspection service for federal government-owned nuclear power plants. KR employees conduct audits of those power plants, in support to the owner's regulatory work, looking for things that government inspectors miss. Each KR employee requires intense training on inspection procedures and on working safely in a difficult environment. Their screening process is meticulous, because every applicant would not be qualified to work in a nuclear power plant.

Klean's two owners, private citizens, want to invest in gold to take advantage of the rising market. They follow a guru who claims that gold will rise as high as \$2,000 an ounce within two years. These owners, Dom and Danzerus, have all their personal wealth tied up in this successful and profitable business, so they need to generate cash to pull out of the business in order to have money to invest in gold.

The Change Plan

Dom and Danzerus become very concerned about profits. They select several financial metrics to monitor daily and they place an emphasis on the profitability perspective of their management efforts. Dom and Danzerus decide to make the following course changes inside of KR:

- Cut all operating costs by 21 per cent; this includes reduced travel to their client's facilities
- Curb any new hires except to replace employees who leave
- Pay less than prevailing wages to any person who gets hired
- Freeze employee wages; this applies to every employee except Dom and Danzerus
- Reduce benefits by asking employees to pay for things that were previously paid for by the firm
- Cut back on both internal and external training
- Save money by getting rid of their internal safety department

Think about what they are doing. Have they created alignment between their purpose—protect their client's from harm—and the changes they are making to the business?

As you contemplate this question, be ready to answer the following questions:

- Where is the misalignment, if any?
- What will be the short-term impact of these changes?
- What will be the long-term impact of these changes?
- Will the company be better or worse off after the changes take effect?
- Why do leaders, such as Dom and Danzerus, introduce improperly thought out changes like these?

Although this case was intentionally over the top by making the answers to the questions obvious, quite often managers and executives plan out changes that seem reasonable yet, by not thinking through the impacts using a strategy plan, they create misalignments that produce bad results.

HOW TO CREATE ALIGNMENT IN A CHANGE STRATEGY

Because your organisation's mission is the foremost instigator of positive change, any strategy for global organisational change needs to start there. Misalignment is easy to do but alignment takes hard work and foresight, as you saw in the Klean Reactors' example.

Through these six tactical steps, the change agent must take to foster alignment between their organisation's intentions and the contemplated change:

- *Step 1: Examine Your Mission or Purpose and the Desired Changes Objectively.* Look for misalignments, disconnects, or reasons behind the desired change. Think carefully about what effects the changes will have in 30 days, 90 days, 360 days, and 720 days.
- *Step 2: Define Everyone's Role and Relationship.* Tell everyone what the new organisation or system will look like. Ask for feedback and honest evaluations.
- *Step 3: Update Your Human Resource Policies and Practices for Consistency.* This is an area where misalignment often starts. If your policies are not the same as your everyday practices, the policies or guidelines become meaningless.
- *Step 4: Develop a Feedback System to Track and Measure the Changing Conditions.* What gets measured gets managed, so define the behaviours and outcomes you want and establish measures for each one. Assign metrics to important and vulnerable areas to determine if things are getting better or worse.
- *Step 5: Install Employee and Team Rewards as Inducement.* Provide recognition that emphasises what is important and celebrate achievement along the way. Behaviours and actions that are rewarded get done and will be repeated.
- *Step 6: Monitor Metrics and People to Know When to Alter the Course.* With the feedback of the employees involved and the metrics, look for clues of improvement or decline. Be prepared to alter the course if conditions show that the change is ineffective.

STAGES OF A TRANSFORMATION

Everyone goes through change on a regular basis; however, at times we fail to recognise a change as a transitional state or we get stuck in what is lost and therefore miss an event that is a natural evolution or a pending revolution. Because organisations are made up of people, the organisational behaviours regarding change is the same as ones that people show when they face gut-wrenching change.

A *transition* is a process or period in which something undergoes a change and passes from one stage to another. A transition is also the internal adjustment to an external change. It can be a psychological change or a mental transition. Whether the adjustment that you are experiencing is a shift, change, or transformation, the events will create their own process or periods for all involved in it.

Regardless of the cause or driver of a global change, your entire organisation and team will travel through different stages. There are many different frameworks for staged approaches to change management. Box 1-2 outlines four of my favourite frameworks. Each distinct stage has its own conditions and visible reactions, yet these stages can overlap. In any transformation, the beginning and ending are not obvious until time has passed. In addition, unless there is a concerted effort in your change strategy to prevent it, backsliding to a previous stage can easily occur.

Box 1-2: Frameworks for Transformation Stages

TRANSITIONAL STAGES VIEWPOINT 1	TRANSITIONAL STAGES VIEWPOINT 2	TRANSITIONAL STAGES VIEWPOINT 3	TRANSITIONAL STAGES VIEW 4
<p>Some change experts say that transition in a team or an organisation will be similar to the five stages of the human grieving process:</p>	<p>Other change experts believe that a transition in a company and group undergoes four stages, similar to how a team of diverse individuals come together. These stages of change are as follows:</p>	<p>The High Road Institute uses the Six Stages to Transition model, which is described as follows:</p>	<p>Finally, I turn to another change management expert, William Bridges, who developed a model published in <i>Managing Transitions</i> that parallels the others yet breaks it down into three overlapping phases. Bridges's model, based upon his experience with change resistant organisations, starts in a counterintuitive place—the ending. He describes the first stage this way because it represents where we ended up after the last change, because a transformation is a continuum of smaller changes and shifts. The next phase is the middle or neutral zone where we spend the bulk of time implementing a change strategy. The last phase is the new beginnings.</p>
<p><i>Stage 1: Shock and Anger.</i> People in the organisation or team show signs of tension, yet no one can put their finger on the cause.</p>	<p><i>Stage 1: Forming.</i> This is the state where the group or company commits to behaving in new ways. Everyone has questions and concerns.</p>	<p><i>Stage 0: Obliviousness.</i> Lack of unawareness about what is going to happen comes from two conditions: a head-in-the-sand way to living life or a cavalier attitude about the future.</p>	<p><i>Endings Phase</i> Ending is a zone where you let go of the outdated identity and the old ways of doing things. This is a time of loss because all endings where emotions are involved (that is, loyalty, caring) mean that the people involved will go through a natural grieving process. You will see clear indications that the change process has started. More than one person will say,</p>

(continued)

TRANSITIONAL STAGES VIEWPOINT 1	TRANSITIONAL STAGES VIEWPOINT 2	TRANSITIONAL STAGES VIEWPOINT 3	TRANSITIONAL STAGES VIEW 4
			<p>'Something has gone wrong'. You will witness anger over what has been lost. Employees will experience real fear about what might happen and become ambivalent about any continuing commitment to their job. Employees withdraw into themselves, briefly detaching from the organisation to attend to their own needs. Changes in goals, roles, and procedures will produce conflict, which will be more open and vocal than before.</p>
			<p>Symptoms of the endings phase include the following:</p> <ul style="list-style-type: none"> • Self-doubt, both individual and corporate • Intense emotions, like frustration and anger • Mood swings • Nostalgia for the past, or the 'good old days' syndrome • Increased sensitivity • More reactivity • Minimisation of reality • Closed-mindedness and denial • Negative impacts on peoples' personal lives

TRANSITIONAL STAGES VIEWPOINT 1	TRANSITIONAL STAGES VIEWPOINT 2	TRANSITIONAL STAGES VIEWPOINT 3	TRANSITIONAL STAGES VIEW 4
<p><i>Stage 2: Denial.</i> People get a clue to the cause of the angst, but refuse to believe it is a permanent shift or transformation. The level of tension increases.</p>	<p><i>Stage 2: Storming.</i> In this stage, the people involved struggle to figure out the new rules and what is expected of them. To everyone, it seems like no one can do anything right. Anger and frustration reign.</p>	<p><i>Stage 1: Status Quo.</i> Some people who have their radar antennas up begin to notice from multiple sources that there are strong winds of change blowing.</p>	<p><i>Neutral Middle Phase</i> In this zone a person or group is not sure of their place and what they should be doing. To most employees, this is an ugly zone because you feel incompetent and worry that the group no longer needs formulas or systems that worked in the past. You will see clear indications when the organisation and its people reach the next phase. Your employees will complain, 'I'm not sure what to do'. There will be a tendency for employees to assume the worst and show anger at things they perceive as wrong. Managers and others fear that current conditions will persist. Teamwork suffers due to uncertainty and productivity deteriorates, to some degree. Scapegoating and the blame game will be widespread, and all sorts of rumours persist despite efforts to demonstrate they are not true.</p>
			<p>Moving the organisation quickly through the neutral phase is a major challenge for the leader and change agents. Employees need to be informed, trained, coached, and managed to implement the transition smoothly. Leaders must quickly establish a professional emotional climate so</p>

(continued)

TRANSITIONAL STAGES VIEWPOINT 1	TRANSITIONAL STAGES VIEWPOINT 2	TRANSITIONAL STAGES VIEWPOINT 3	TRANSITIONAL STAGES VIEW 4
			<p>that conflict is resolved easily and productively. Flows of information and problem solving are especially crucial during this time. The new beginning phase occurs only by actively creating a new organisational form. In such times, bold and courageous leadership and certainty must come from every member of the change management team.</p>
			<p>Symptoms of the middle phase include the following:</p> <ul style="list-style-type: none"> • Widespread chaos • Intensified mood swings • Employees and managers question their belonging • Prior commitments called into question • Some experience disturbances in their sleep and appetite, which can lead to apathy • Some experience short-term memory loss and poor concentration • Increase in absenteeism due to illness, real or imagined • People operate with a sort of numbness or shock

TRANSITIONAL STAGES VIEWPOINT 1	TRANSITIONAL STAGES VIEWPOINT 2	TRANSITIONAL STAGES VIEWPOINT 3	TRANSITIONAL STAGES VIEW 4
<p><i>Stage 3: Grief.</i> People begin to recognise that things will be different and begin to fret about what is lost. A general feeling of hopelessness and helplessness can paralyze people for doing anything.</p>	<p><i>Stage 3: Norming.</i> By the time the people get to this stage, they have begun to figure things out and cooperation returns. More things go right than wrong and for the first time learning takes hold.</p>	<p><i>Stage 2: Denial.</i> More people begin to grow concerned about what is to come and wonder if the storm will hit them. However, denial works wonders. People hold onto the past or believe in the status quo.</p>	<ul style="list-style-type: none"> • Even the best employees adopt a victim mentality • Rumour mill and grapevine operate at full intensity
<p><i>Beginning Phase</i> This is the time when your people discover or create their new identity, experience new energy, and discover a new or renewed sense of purpose that results in the work being done differently in this zone. You will begin to see indications when the organisation and your employees reach the final phase. These are not always obvious so leaders must be sensitive and look for the signs. People begin to say, 'This is turning out just fine', or 'I'm okay again'. Employees and managers become more future-oriented in their thinking. Hope springs forth and for the best employees their commitment to the firm gets reaffirmed. Teams pull together around newly defined goals, roles, and procedures. Team members take on new responsibilities and working relationships get redefined as teams are reformulated. Finally, communication flows again and productivity returns. These are the two areas that leaders need to monitor, while encouraging and nurturing them.</p>			

(continued)

TRANSITIONAL STAGES VIEWPOINT 1	TRANSITIONAL STAGES VIEWPOINT 2	TRANSITIONAL STAGES VIEWPOINT 3	TRANSITIONAL STAGES VIEW 4
<p><i>Stage 4: Confusion.</i> People realise that something needs to be done, but there is a lack of consensus on what, so people behave in ways that are counterproductive and the leaders have a dazed and confused look.</p>	<p><i>Stage 4: Performing.</i> This final stage is where the new behaviours and habits pay off. Everyone has figured it out and is comfortable with the new state of affairs.</p>	<p><i>Stage 3: Confusion.</i> At this stage, the group is in turmoil, which is an indication that they are starting to let go of the past. However, there is a daily struggle regarding how to live through the storm. Many give up hope and believe the world (as they define it) is coming to the end and adopt a victim mentality.</p>	<p>Symptoms of the beginnings phase include the following:</p> <ul style="list-style-type: none"> • Return of creativity, humour or play, and faith or confidence • Movement forward and progress • Recommitment to the team and organisation • Enthusiasm about the future • A feeling of security • Regained stability • Increased productivity • Self-acceptance • Renewal of wellbeing • Increased risk taking • Greater focus on priorities, such as customer satisfaction

TRANSITIONAL STAGES VIEWPOINT 1	TRANSITIONAL STAGES VIEWPOINT 2	TRANSITIONAL STAGES VIEWPOINT 3	TRANSITIONAL STAGES VIEW 4
<p><i>Stage 5: Acceptance.</i> At this stage of the transformation or shift, people have realised it is real and have addressed what needs to be done. There is no guarantee that people will feel whole or confident. In many change events, employees and some leaders continue to carry around a victim mentality even after mentally accepting that their world has changed.</p>		<p><i>Stage 4: Adaptation and Renewal.</i> People are learning how to live in this new world order. Once their confidence returns that new possibilities exist, the group starts to move on. People can now relax and do what they do best.</p>	
		<p><i>Stage 5: Learning and Preparation.</i> This is a stage that is more about hope than reality. Our wish is that the client learns from this experience and adopts a mind-set of preparedness for the next storm. We hope that the lessons learned are used to instil flexibility, adaptability, and preparedness into their system. However, the reality of life is that people rarely learn or, if they do, forget the lessons quickly.</p>	

As a change agent, you need to fully understand the conditions you face as you strive to solve lingering and costly problems that exist in your organisation, and you are now equipped with ways of seeing transitions. Please pay attention to this next truism.

Change Agent Principle #6

Knowing what you are up against in a transformation of any size is half the battle.

THE LEADER AND CHANGE

Achieving excellence in all things is an intention of the change master and why you must understand change and how to make transformations take root. Change is always messy and the people affected often fight or resist the change, even when they will benefit. By knowing that change agency comes as part of your leadership credentials, you must never fear change. Change agents view transitions as a necessary part of their pursuit of excellence and positive results.

Not all in a leadership capacity know how to deal with change. Some love new things and embrace change with open arms. Other leaders, like some in the accounting profession, fear change and do all they can to maintain status quo, even when the war against the shift is already lost. Thankfully, a majority of today's leaders know that change happens and find ways to overcome their distaste for it and do the things necessary to facilitate the change. Although this group is valuable, they are vulnerable to taking incorrect or incomplete actions.

Natural Law of Change #7

A leader always sets the tone and attitude about change for their team and organisation.

If the leader abhors change, the team will too. If the leader embraces change, he or she will inspire others to embrace it. Leaders who timidly approach change in fear will make costly and painful mistakes that will negatively impact their followers.

Pain Is Your Entry Door

The way you get invited to become the person empowered to make improvements and to develop your reputation as a creator of great solutions is to start where the pain is.

When I mention pain, it refers to the fact that your employer's executives, managers, and employees have problems that are not getting resolved. As a member of the accounting team, you are the logical choice and most qualified person that they rely on to help them get rid of their pain. You already understand how the business operates, you know how the finances work, and you (hopefully) understand the key players and what makes them tick. One of the most rewarding aspects of the change agent job is to be regarded as the resource that employees think of first when they need a solution.

As an analogy, consider a visit to the physician. Imagine that your shoulder aches painfully and continuously and that you are unable to lift anything heavy due to this condition. Despite your personal home remedies,

the pain persists, so you admit defeat and visit a doctor. As you describe your symptoms, the health professional is poking and prodding you. Then, she touches a certain part of your body and the pain is so intense you yell 'ouch!' as you rise two inches off the examination table. She says, 'Sorry. I guess that is where it hurts'.

I pause my story for a second to place you in another scenario.

Imagine that you are describing to the chief executive why you think profits are lagging and you mention the high rate of employee turnover. You notice the chief executive winces as if in pain at your mention of this.

If you are a typical accountant after finding your employers pain point, you would apologise and change the subject. If you know you would act this way, you are not a change agent. Before I explain why, let's put you back into the doctor's exam room.

The doctor touches that area another time and you wince, then she presses it again and again. Finally, you look her straight in the eye and shout, 'I don't care what it takes or cost! Can you fix the pain?'

As a change agent, you must act as the doctor in the story. Instead of slinking away, you keep poking your client's pain by reminding the chief executive about your firm's low profits due to employee turnover repeatedly until he or she gives in to what needs to be done. So when the chief executive says to you, 'I don't care what it costs or how you do it, make my pain go away', you are now empowered to show what you are capable of.

In reality, the problem is not diminishing profits nor is it high turnover. You will still need to uncover what is causing people to leave. How you get there will be covered in later chapters. Just understand now that the way you get anointed and appointed as a change agent is to highlight your employer's pain repeatedly.

Being asked to make the pain go away is not enough. Neither does believing that you know all the causes. Being empowered to make things better does not mean that your co-workers and colleagues will get answers from you. What you will do best is employ your tools to help them find their own solutions. The last thing you want is to place yourself in a position where you cannot get your own work done because you are always solving everyone else's problems.

An effective way to get out of this time sucking situation is to define yourself as an adviser to others in the organisation. A good adviser best serves their 'client' when he or she enables the person you are helping to arrive at his or her own solution to a problem that instils accountability. In order to do this effectively, you must ensure that others trust you.

Your most valuable tools for uncovering someone's pain are gap analyses and probing questions (referenced in chapter 2, 'The Change Agent's Package').

Creating Momentum and Desire for Change

You can rely on two strategies for assisting people to survive and thrive during a period of monumental change. The first is to create the desire for the shift. The second is to sustain the momentum. Keep this in mind regarding ownership of a problem.

Natural Law of Change #8

When someone finds his or her own solution to a problem, he or she will own it much more than if someone else solves it.

Tool #2: Gap Analysis is an invaluable tool that satisfies natural law of change #8. This vital change agent tool can be found in the downloadable content that accompanies this book. To demonstrate how this tool applies, you can understand its use by reading the following case study. Learn how impactful this tool is by seeing how Tony developed his.

Case Study of a Gap Analysis—Tony

Recall our fictitious case study characters Linda and Tony. Tony must move his entire team to the next phase and uses a gap analysis to turn problems into actions.

Tony's Plan to Improve His Team

Tony was clearly frustrated.

I arrived at our meeting room. Tony said, 'I was very excited about this company because it has so much potential and severely needs my expertise. But now that I have a better sense of what it is like, I realise I have two huge obstacles: my boss Sarah and my team. I can already sense that unless I can improve the situation, I might as well resign. But I don't know where to start and if I even should!'

I asked, 'Which of these two situations have the most urgency for you?'

He thought about it for a minute, 'I would say my team problem. If they do not support me, I can't even begin to deal with the Sarah problem'.

'Okay then that is where we start today. First, tell me, what is your vision for the team? Place yourself into the future, one year from today. What would you like the team to be like?'

'Where do I start? We have so many problems...' Tony gathered his thoughts.

I said, 'Think about the pain you feel when you think about this group. What about your team hurts the worst?'

I wrote the list exactly as Tony described it:

Tony's Pain List

- They do accounting the old-fashioned way.
- Benny rules the roost; everyone else takes their cues from him.
- The team has bought into the belief, 'We can't'.
- Our accounting software stinks.
- Most of the employees have an 'I have no better place to be' attitude.
- The group does not function as a team in any sense.
- Many of them are uncooperative with one another and with the people they serve.
- We lack job descriptions.
- We lack organisation. Our offices are overwhelmed with piles of papers, some dating back seven years.
- There is a general tension between certain employees.

'Thanks, Tony', I said. 'Please answer a few more questions and then I will apply this to a gap analysis. This tool, which I have shown you before, will help you decide the best course of action'. He nodded and waited.

'What could happen if nothing changes with this group? State the worst-case scenario'.

'I would be gone. Sarah would probably carry out her threat of firing the entire group and outsourcing the work we do'.

'What is the best case? What could this group be like'?

'I cannot think about the best case. To me this is an all-or-nothing issue. If we, as a group fail to improve our service, productivity, and systems no one will keep their job. I have to pull all my effort in and turn the team into a well-behaved productive team'.

'Great', I said encouragingly. 'Now we can delve into the causes for this attitude problem. You will need to fix that before attempting to improve the systems. You need employee support and buy-in before you can even hope to make progress. Why do you think the accounting employees act in these unprofessional ways?'

For a second Tony resembled a deer in the headlights; I could sense his pending panic. 'He is clearly uncomfortable having to speak to his employees about their attitudes', I thought to myself. Out loud I said, 'After I ask the question, just answer whatever comes to mind. This is not about right or wrong or finding whom to blame. What are the causes? The group acts this way because...'

Tony's Responses

- They are angry or frustrated.
- They have been without a leader for over a year.
- There are no repercussions for a bad attitude and poor service.
- There are no set rules or expectations on them.
- People in the company have learned to work around them.
- No one has ever been fired and so complacency has set in.
- How Benny acts, the rest of the group acts.

'Now we can organise these into a list that makes sense'. I said. 'Let's review the causes'. I tore the sheet from the pad and handed it to him so he could study it. In the meantime, on another blank sheet I made two columns. One was labelled symptoms (effects) and the other causes. I pointed to the sheet I had in his hand and said, 'Now we go over each one of the items on your list and determine where they fit on this one'. While he looked over my shoulder we spent a few minutes doing this and concluded the following:

Symptoms (Effects)

- They are angry or frustrated
- Other employees work around us
- Complacency has set in
- Benny's negative influence

True Causes

- They have been leaderless
- No repercussions
- No expectations
- No one has been fired

'Excellent job, Tony; there is one more step. We must determine the root cause. I will ask you "why" again, but this time listen to all of them before you respond. Why was the group leaderless for over a year? Why are there no repercussions? Why are there no set expectations? Why has no one been fired?' I paused to let my questions sink in. 'Do you see a root cause or connection to all of them, Tony?'

He studied the list for two or three minutes. During that pause, I realised why he was anxious. He would need to deal with the people side of accounting, an area that he fears. In addition, he would not have anyone to seek approval from. Sarah is letting him sink or swim on his own.

When he was ready Tony said, 'Yes. I think I can see two. First, due to the lack of a strong leader, there is no accountability to our customers, to management, and to our purpose. Second, due to the lack of influential leadership, people have been able to get away with whatever they want. Now, I see that Benny has become the de facto alpha male, even after I took over the group. He is perceived as their leader, even though he is not one in any sense of the word'. Tony replied, 'But, can I do anything about this? I am worried what Sarah will think. I know she hates it when anyone is fired. What worries me most is that I am not the only department with a Benny in it'.

'Tony, as an agent of change you need to make these improvements. I suspect that is why Sarah hired you in the first place. If you want to succeed, you sometimes have to act without permission when your intention helps your employer. I believe that if you went to Sarah with your improvement plan already fleshed out and with supreme confidence that you can carry it out, she will say, "Go ahead"'.

'But I'm not sure I can do it'!

I responded. 'Guess what, Tony? That is why you asked me to be your coach again; so that you can tap into your self-confidence. I know you have all the abilities you need to make this change happen'.

Creating a Gap Analysis

Next, we developed a gap analysis of his situation and desire. This is what we created that day in its condensed form. As you can see from this example, it was very clear to Tony what needed to be done to cross the gap. Each item listed in the middle of this case study is a bridge across the gap between today and tomorrow. Each suggestion he listed became a piece of his action plan to improve his team's results.

Gap Analysis Sample

The problem, issue, or skill that is being analysed: My team needs to step up to the next level of performance, one of accountability, cooperation, teamwork, and positive 'can-do' attitudes.

When is tomorrow? 12 to 16 months from today

Today's conditions <i>How things are today?</i>	The missing links <i>How do we cross this gap (the bridges)?</i> <i>priority</i>	Tomorrow's condition <i>What will it look like in 12 months?</i>
We understand the business	3 Accounting employees attend operational meetings regularly	We understand the business even better
Employees have long tenure and only do their job; narrowly defined roles	3 Commence cross training (after staff evaluations and job descriptions are completed)	Everyone is cross trained on at least one other job
Operational employees (our customers) do not trust us	2 Survey the needs of our customers and make changes to deliver what they want	We work closely with operations and have earned their trust
No job descriptions	2 Have each employee write existing job descriptions, then expand roles	Job descriptions are in place
No training	3 Provide on the job training to help employees expand the scope of their responsibilities; tie to job descriptions	We have ongoing training
Disorganisation and paper everywhere	4 Commence programme to digitise documents; seek opportunities to reduce forms and duplicates	We are 50 per cent paperless
Poor tools	6 Find new software with flexibility and a strong database that is accessible anywhere	We have identified a new accounting system and started implementation
Manual accounting processes	5 Use process mapping on most vital processes to begin automation process	75 per cent of our systems are automated
Many employees have given up hope	1 Coach each employee to uncover needs, concerns, and talents	Employees have a 'can-do' attitude
Benny's attitude and poor leadership	2 Work with human resources to deal with Benny's attitude problem; suggest coaching or require counselling	Benny has improved (or is gone)
No accountability	1 Teach employees what accountability means and looks like; provide concrete examples	Employees practise accountability
No standards or expectations	1 Establish and communicate clear standards for professionalism	Everyone understands the expectations and lives up to them each day

Today's conditions <i>How things are today?</i>	The missing links <i>How do we cross this gap (the bridges)?</i>	Tomorrow's condition <i>What will it look like in 12 months?</i>
No penalties or consequences	1 Establish consequences for unprofessional behaviours; check process for terminating employees	We have penalties and consequences for unprofessional behaviours in place
Poor attitudes	1 Spend more time encouraging employees and catch them doing things right	Everyone has a commitment to excellence and to professionalism
New leadership	2 Get more coaching on my leadership abilities, especially on dealing with difficult personalities	Strong, visible, encouraging leadership

The only place he needed my assistance was in placing them in some sort of priority. At first, this list looked overwhelming. By thinking through the impact of each bridge, it was soon evident which were long-term actions (cross training, process mapping, and selecting new software) and which ones were immediate (setting expectations, adding penalties and consequences, and dealing with the problem employee).

For the rest of the coaching session we worked out more details of 'Tony's Action Plan for Improving Accounting' over the next 12 months.

When we were done, I asked him an important question. 'Tony, what did you get from this gap analysis? What did it do for you?'

Tony said. 'I see my plan of what I need to do to make things better, step-by-step. It's amazing how quickly we did that. You know, it felt like I was solving a technical problem instead of one relating to people'.

CREATING DESIRE FOR CHANGE

Overall Strategy for the Change Agent to Sell People on Change

The master of change enables others to do their job by providing resources and unleashing creativity by providing the right tools. To successfully overcome any initial resistance to global or individual change, you must take the following actions:

- Inform those involved and impacted by the change early in the process
- Sell the benefits confidently
- Get the person's attention off their pain
- Offer multiple options and negotiate for the best alternative
- Let your employees have a say in the goal
- Engage your employees in the solution
- Enrol your employees in becoming change agents
- Gather allies amongst your most enthusiastic change agents

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- Facilitate the transformation process
 - Acknowledge the pain or loss without minimising it
 - Be tenacious
 - Create small successful wins quickly to show people what is possible
 - Develop the change strategy and describe it to everyone on your change team
 - Establish viable metrics to show that the transition is already under way
 - Ask people to have faith in you and reward that commitment
 - Use leverage (that is, power) only if necessary

Sustaining Momentum

This topic will be covered in later chapters as I explain more change agent tools. One of the best ways to maintain the energy and commitment required is to inform people in advance what to expect.

Example: Flu Shot

Let's say you need a flu shot. After talking with a friend who got one, he or she tells you that it is painful and you might feel achy after receiving it. You check this out with medical professionals and receive the same advice. Now that you know what to expect you find that getting the shot was not so bad, because you were mentally ready for this event.

When it comes to change, the same holds true. When people know what to expect, in terms of time, frustrations, milestones, what needs to be done, and what must be avoided, they will be better equipped mentally and emotionally to deal with the transition states.

Universal Points to the Transition Process

In this book I describe multiple views of looking at transition in an organisational or team setting. Although each takes a different approach in describing the various states or stages, there are five universal facts about a major change or transformation:

1. Transformation takes time to work itself through the system, organisation, or team.
2. Transformation is met with resistance and reluctance.
3. Transitions are painful because those involved want it to be easy but the shifts in behaviours and attitudes are hard.
4. The sooner the group goes through the early stages of denial, frustration, chaos, and pain the quicker they will get to the other side.
5. Working through a transformation requires the assistance on many people, not just a few.

SHIFT HAPPENS! USE IT!

Change happens to us and our organisations each day but it is often ignored or demonised. The misunderstandings about it contribute to your inability to adapt and adjust to its effects quickly and painlessly.

The true change agent learns that change is something to be embraced and not feared. As Linda learned, it takes both drive and courage to be a good change agent. One thing that could help you to be effective in this role is to experience things like mergers, layoffs, rapid growth, or leadership turnover. It is in these experiences where you will best learn what works and what does not.

There are multiple phases of change as people transition through it. Now that you have a deep understanding of why you can make lemonade out of lemons, you will soon be able to apply specific tools in three focal areas.

You discovered that change takes time to go through its evolution or revolution, which naturally tests peoples' patience. There are thankfully many tools such as the one Tony used—the gap analysis—to speed up the pace and reduce the amount of discomfort that you may feel.

DO YOU GET IT?

Are you like Linda who saw that she needed to expand her horizons and learn how to use her talents in other areas? Do you need to model what Tony did to bring his team up to a higher level of performance so that you can be more effective? In the next chapter you will discover why you need to increase your skills. Management accounting is undergoing its own change and if you embrace it, your future looks bright.

Endnotes

- 1 *Pacific Northwest Magazine*, August 12, 2012.
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- 5 'The data deluge', *The Economist*, February 25, 2010. www.economist.com/node/15579717.
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2

THE CHANGE AGENT'S PACKAGE

He is the complete package!
She is the real deal!

Wouldn't it be great to be described as the 'complete package' or the 'real deal'? We use phrases like these to describe a person who is competent and admired for his or her abilities.

Becoming a professional change agent often starts with changing your mind. To become a true change agent, you must rethink how you see yourself. This chapter gives you a roadmap on what it takes for you to become the change agent others admire as the real deal. Becoming the complete package involves your mind-sets, attitudes, and special skills. We explore how you get there with the first of eight mind-set shifts that help you change your mind.

I AM A CHANGE AGENT FIRST

Change Agent Principle #7

Change agents do not foster change just for the sake of change itself; they foster change when something needs to be improved.

One of the core concepts of change management is to seek out the true source of the problem and prevent its cause. Today's 'not-enough-time' mentality forces employees and their managers to put bandages on lingering problems. Bandages are good for everyday cuts and scrapes, but rarely work for deep gashes. Recurring business challenges require creative and innovative solutions that permanently remove problems from your organisation's infrastructure, culture, and systems.

Mind-Set Shift: No More Bandages

The same need to end the practice of relying on bandages in the form of short-term fixes holds true for improving productivity, enhancing profits, getting people to cooperate, building a stronger management team, instilling accountability, or installing a governance program after a fraud is committed. In any changes such as these, leaders must ensure employees have the wherewithal to provide more meaningful, permanent solutions.

Professional Accountant Versus a Professional Activator

As CFO, controller, director of finance, or accounting manager you work 40 to 50 hours a week and perform all the normal financial functions that your employer expects, yet that is not enough to prove that you are vital to

the organisation's success. As discussed in 'Value Creation Expectation', retaining your job requires that you and your accounting team must focus on value creation.

This argument alone should prove that you must become a true catalyst for change. This transformed attitude comes from defining your role through the lens of seeing yourself as a person who makes things happen without waiting for someone else to say, 'I want you to do that'.

Even though being a change agent is one of the leadership competencies frequently identified in recent research on what makes an outstanding leader, novice leaders fail to realise that they are expected to introduce change. Great leaders are proactive in making improvements to the point of pursuing excellence in everything.

Accountants must be on a journey of continuing excellence. When your current objective is complete you must be ready to work on the next objective, and as you go from goal to goal you must never be satisfied with status quo, but always have the desire to make things better. As a change agent you will learn to love challenges because they are the stepping stones to success.

Natural Law of Change #9

Leadership is not just about being in charge, it is about taking charge! How the leader faces change is how the team or organisation deals with change.

Change Agents Dislike the Status Quo

The great leader wants to see forward progress and conditions improving. This attitude is a key quality of leadership. This is why the change agent is always looking for ways to make improvements. Rarely are the conditions, the culture, or the goals in your workplace ideal. If your office is like that of most professionals, you probably encounter conditions such as the following:

1. More work than people
2. Time wasted on correcting preventable errors
3. Faulty processes
4. People who need training
5. Out-of-date policies or procedures
6. Piles of paper lying about
7. Numerous unfinished tasks
8. Harmed relationships due to miscommunications and misunderstandings

The most common reason that controllers and CFOs give me for not getting their unfinished projects and tasks done is, 'There are not enough hours in my day'. Yet, what is needed to get these neglected improvements accomplished is not more time!

Although time is necessary to make these improvements, you or your team will not find the time until someone steps up to lead the change. The only way any of these time and energy wasters will ever get done is when someone with courage, foresight, and conviction decides to face up to them. All the factors listed are symptoms of status quo. The change agent from accounting abhors status quo whenever it leads to waste, inefficiencies, and lost opportunities. You must commit, as a catalyst, to making things easier.

Example: Leadership Paradox

A leader's role is to create stability and consistency. However, it is in confusion, desperation, and urgency where a leader or a change agent does his or her best work.

I have studied leaders both in and out of the accounting field for over 30 years and I am always amazed that the busiest and most involved leader seems to get the most accomplished, which is the reason that I find this trait in nearly all the masters of change.

CHANGE AGENT'S ATTITUDE SHIFT

The technical aspects of a change agent will be covered throughout this book. However, there are six vital attitudes you must adopt to ensure you are successful in fostering positive and lasting change. I highlight the attitudes because the typical accountant may not realize their importance and may not feel confident in relying on them.

Flexibility

Although accounting traditionally rewards accountants for being rigid, being inflexible can undermine you as the change agent. Consulting and problem solving is an organic effort because conditions are always shifting. Attempting to introduce change in an existing and operating system is like attempting to wash your car while driving.

You need to be flexible because people can be a major obstacle to change. If your research says a process should be improved, as a change agent you will need to get employees to buy into the improvement and get them involved in implementing or using the better process. Flexibility allows you to keep trying in order to obtain that cooperation.

Curiosity

Many people believe that being curious is not a good thing, but to the true change agent it is an asset. The master of change wants to know the why before discovering the how. They seek out an understanding of cause and effect. If you like asking endless questions when exploring something new, you will be a great change agent.

As you learn each tool in the book, you will discover that many of them rely on you asking probing and open-ended questions in order to find the truth, uncover assumptions, and test possible solutions.

Partnership

Until recently, accounting tended to value the person who liked to work alone. This is no longer the trend. Today, you only survive and thrive when you partner with others to reach goals, improve work flows, and get lean through streamlined operations.

As a change agent, you will not obtain cooperation, engagement, buy-in, or support unless you are perceived as an equal partner with those you are trying to help. Later in this chapter, you will explore how the attitude of partnership aids you in being credible and being trustworthy.

Collaboration

Similar to the partnership attitude, working for collaboration pays off with cooperation, engagement, enrolment, buy-in, and support. Collaboration is the act of working together with others in order to achieve something. As a change agent, you are working on improvements and introducing shifts beyond your accounting department's walls. You will not be able to fix problems that exist throughout your organisation unless you can collaborate with those you are trying to help.

Openness

In the realm of the change agent, you must be open to new possibilities by being curious and flexible.

You probably know people who have closed themselves off to life. You can tell because they dislike learning, hate trying new things, do not want to meet new people, get upset when their routine is interrupted, or prefer to live their life in a rut. This type of person will not succeed as a change agent because he or she will rely on the same solution over and over. The accounting profession tends to attract this sort of personality because of the routine and repetitive nature of the accounting done in smaller organisations and in the work conducted in smaller CPA firms.

Self-Activation

Of all these new attitudes, self-activation is the one that will become the greatest contributor to your success. Self-activation means having the power from within and the confidence to take action. Self-activation is the highest form of empowerment.

People are often led by micromanaging supervisors, managers, or executives who wonder why their employees are not self-activated. For employees to think and act this way, they must be trusted to make their own decisions, take action, and solve their problems.

Self-activation is a must-have attitude for the successful change agent because

- rarely does the client know what he or she wants or needs.
- micromanaged employees are afraid to take risks for fear of being chastised.
- with each downsizing, employees resist doing anything that could put them on the chopping block.
- executives and managers fear losing their jobs, respect, or stock options and do not want to make visible mistakes that could call attention to their faults.
- in structured cultures, it can take forever to get an approval or gain consensus on what needs to be done.

I have a philosophy that has served me well as a change agent and it will for you: It is easier to ask for forgiveness than to ask for permission. Whenever I describe this to a master of change, that person says, 'That is my approach too!' This is not an excuse for us to ignore procedures; it is simply an expression of empowerment.

Example: Outdated Policy

Assume there is an outdated policy in your organisation that bans wearing flip flops to work, which no one follows. Occasionally, someone gets in trouble for wearing them, although 90 per cent of the employees wear flip flops on any given day. Clearly, that policy is something that needs to be changed. The empowered employee, instead of running the idea up the flagpole to see if it is acceptable, will write a new one, see that it is approved, and ensure everyone is made aware of the new policy.

If you are an employee who is afraid of making a change because it might be unpopular, or are waiting for someone else to make the change, then you are not ready to be a change agent.

Change Agent Principles #8 and #9

The change agent must decide which changes to fight for and which ones to let go. You will not win all of your battles, so decide which causes are important.

You know you are an effective change agent when the micromanagers complain that you have too much latitude and freedom.

This final advice about your mind-set may seem harsh, but it is part of becoming a master of change. Expect to be threatened with being fired, told to stop, or advised to keep your nose out of someone's business. It means you are doing your job!

WHY WON'T ANYONE BECOME INVOLVED?

As an employer and leader you cannot always find someone to step in and take charge of problems. The question that you must ask is, 'Why are people not stepping up as change agents when the need is obvious?' You need to be concerned because of this truism.

Natural Law of Change #10

How people face simple changes is generally the way they react to major transformations.

I am asking you the same question: Why are you not stepping up to make management accounting better by being an agent for change? The change I am referring to is actually a transformation and one that explains why you must take a more active role in your professional growth.

ACCOUNTING IS IN TRANSITION

As a member of our accounting profession since 1977, I have witnessed many changes, shifts, and transformations. As the author of management accounting and leadership publications and courses, it is vital that I remain aware of all trends impacting our profession. Besides the daily news, I rely on magazines such as *CFO*, *Strategic Finance*, *Fast Company*, *Newsweek*, the *Journal of Accountancy*, and *CGMA* to stay informed.

I noticed a major transformation that began in the early 1990s. I assumed that it would have fully transformed management accounting by now, but it has not. This widespread transformation is stalled between phases 1 and 2 of the Phases of a Major Transformational Change (covered in chapter 1, ‘The Mystery and Misunderstandings About Change’). The reasons are as follows:

- There are still many accountants, such as the accountant I describe as Beavis, who are resisting the need to adapt in the work they do and how they do it.
- There are many employers that are intentionally resisting this updated view of accounting by neglect. They fail to invest in their certified accountant’s education and training, allow the accounting team the time and room necessary to shift, or support the accounting leader who wants to make the shift.

This change will only be fully implemented when the employer and employees partner together to examine and shift how accounting is done in their organisation. When either of these conditions exist, it is unlikely the necessary changes will take hold. Some of us think we are taking charge when it is clear to others that we are not. It was at a continuing education session that I presented in Beverly Hills where I first saw evidence of this principle.

Leave It to Beavis

A controller, whom I shall refer to as Beavis, showed up early as I was preparing the seminar room. Beavis immediately began questioning my credentials and experiences. He ridiculed my room setup saying, ‘We do things differently here in Southern California. We are too sophisticated for your touchy-feely style’. Beavis ignored me for the first few hours of the session. He had been planning to read the newspaper during the day but my setup and process prevented him from doing this. As a revenge tactic, he muttered to himself or made snide comments aloud. During several group activities, he acted like he did not care. The people who sat at Beavis’s table were annoyed with his attitude but too polite to comment or confront him.

Beavis perked up later in the day as we were discussing technology changes in accounting and their impact on the controller. Beavis raised his hand and when I acknowledged him, he stood up in front of 36 of his peers and said, ‘Technology is overblown! At my company, we still keep the books manually and the owners, all in their 70s, don’t care about technology. We’ve been doing accounting like this for over 50 years’. As I scanned the audience I saw mouths agape, laughter hidden behind hands, and people rolling their eyes while shaking their heads. ‘Beavis is out of touch and in denial about it!’ was the thought going through most minds.

I thanked him for his comments, while inside I was feeling sorry for the employees whom Beavis supervised. I thought, ‘When the owners retire, sell, or dispose of this business, he is going to have a hard time getting a job’. I estimated that Beavis was in his 40s.

Later that day we covered ways of dealing with problem employees. Many in the room, including the CPA leaders at Beavis's table, admitted, with much embarrassment, that they had trouble confronting a difficult employee, dealing with bad behaviours, and holding members of their team accountable to their commitments.

They failed to see the connection!

How these professionals dealt with Beavis is how they dealt with their problem employees: using silence and avoidance. Because they feared confronting Beavis about his detrimental behaviour, they ignored the problem, yet let it negatively impact them.

As a professional accountant, if you are unwilling to change things that prevent you from shining, you will rarely be given opportunities to lead.

Throughout this book, we explore why you are expected to make shifts and transformations that are needed in your organisation. These changes will pay off through greater profits, higher productivity, time and cost savings, more cooperation, better communications, and less frustration. Best of all, you stop doing the mundane work.

VALUE CREATION EXPECTATION

The expectation on the CPA to create a tangible and measurable value in the work you do is designed to help your employer stay viable and successful in the long-term. Making this transition in how you look at and handle your accounting responsibilities will ensure that your department will be seen as a core function. You must transition from keepers of data to keepers of trust, becoming a team of champions. The transformation is referred to as a value creation approach to accounting.

Generating value is what the future holds for all who work in the internal finance function of an organisation; it applies to public companies, privately-held businesses, government agencies, and not-for-profits. If we fail to take advantage of it or even notice that it is occurring, we will continue to be discounted, minimised, downsized, chastised, criticised, ostracised, and worst yet, outsourced.

Value Creation Shifts in the Accounting Team's Responsibilities

Value creation requires that we do much more than our core competencies in recordkeeping or transactional accounting; we will be asked to be responsible for doing work that adds additional tangible and measurable contributions. The following list represents what internal accounting must do to merit the reputation as keepers of trust. A major shift is required especially in the opportunities for improvement areas noted in box 2-1 with an asterisk (*).

Box 2-1: Value Creation Shift Improvement Areas

1. *Assert Financial Control.* One responsibility that has not changed for us is ensuring that our organisations have a control system in place. Whether you are subject to complying with Sarbanes-Oxley, worried about surviving, or working for a successful organisation this role continues to grow in importance. If you fail to take this responsibility seriously, no one else will.
2. *Manage Liquidity and Working Capital.* A second responsibility that remains the same is ensuring that your organisation has the funds to operate. This also has grown in importance because of the recession.
3. *Ensure Regulatory Compliance.* The responsibility that continues to be on our agenda is ensuring that we keep executives (and ourselves) out of gaol. Every year there are more rules added that we must spend time understanding and ensuring that our employer is in compliance.
4. *Be the Stewards of Financial Performance.** This stewardship responsibility goes beyond issuing sufficient reports. The CFO and controller are looked upon to ensure that they are measuring and monitoring all the key success factors of the business and reporting on them. In addition, because our reports will contain more non-financial metrics, we must work to determine the quality of those data points not under accounting's control.
5. *Conduct Cost Control and Perform Profit Enhancement.** Because staying competitive has become of extreme importance in the global economy, the controller and CFO are expected to be the people to offer multiple suggestions on how to reduce the cost of doing business and enhance the bottom-line. Everyone else in the organisation is narrowly focused on their responsibilities so we need to be focused on the broad strategic picture.
6. *Be the Builders of Bridges.** The accounting staff can no longer afford to be an island unto itself. A key role for us, which is compounding daily, is building bridges with other parts of the organisation.
7. *Be Advisers to Management and the Board.** Even though this has been mainly a CFO role, the controller is now viewed as a key person who management and the board turn to for advice. If your executives do not include your thoughts in their future planning efforts, then you have failed to take on this responsibility.
8. *Partner with Operational Managers.** Another responsibility, borne out of the need to reduce waste and do more with less, is that we are expected to be equal partners with other groups in our organisation, especially those in operational parts of the business.

The Catch-22 of Value Creation Accounting

When the accounting team is allowed time and provided support and resources to shift to value creation accounting, firm benefits are immediate. However, when the effort is not supported, the accounting team can be perceived as a necessary evil, and the resources are reduced and support does not exist. Obviously, with a growing work load, the time to make the shift from our routine tasks and procedures to finding, measuring, and promoting value does not exist. An accounting team must have time, support, and resources to become a team that continuously creates value for their employer. Even when a CFO or controller attempts to make the shift to value creation without those ingredients, it can take years to accomplish an effective transition. The end result is that the CFO or controller gives up or leaves.

Example: Value Creation at Microsoft

I recently conducted a series of professional educational sessions for Microsoft. Microsoft's leadership team, through its CFO, constantly informs its various accounting groups that they are expected to be value-add partners to the people they serve. Nearly all of Microsoft's accounting and finance professionals work directly for operations by supporting sales, product development, and programming and in a decentralised environment.

In my conversations with Microsoft's accounting employees, their complaints were as follows:

- There is too much work to do, and as a result we do not have the time to devote to making changes.
- The operational people, whom we work for, do not know what value-adding means to them and often do not care.
- We do not really know what that looks like because it is a vague term, making it hard to find value in our regular, never ending work of spreadsheet analysis, costing, and general ledger postings (that is, transactional work).

I decided to look further into this situation because it parallels what the management accounting is going through globally.

Microsoft began its journey to create what they termed value-add partnerships nearly 20 years ago. In the beginning of this transformation, managers and executives challenged accounting and finance this way: If you bring ideas and opinions to the table, we will listen.

Value-add is defined at Microsoft as meeting the following three internal customer expectations:

1. Inform us (the customer) about qualitative information and explain to us the trends that you see within your data.
2. Tell us why this trend is happening and focus on its sources, both inside and outside of Microsoft.
3. Tell us what the trends mean for the future and the actions you recommend that we take.

The trends and insights that operational managers want come not just from financial data but also from information in the marketplace, from customers, and from other parts of Microsoft.

Partnership is defined as understanding the business you work for and the industry it is in. It also means that you are offering opinions, making quick forecasts and projections, and providing qualitative insight. As a partner, you are expected to see the business through the eyes of the operational people, spotting trends that relate to the market and the business.

So far the only accountants who have fully embraced this concept are those in the business finance group. According to a Microsoft employee who works in the business finance group, 'We are value-add and seated at the table. In the work we do, we keep an eye on adding value by knowing the drivers of the business, working on sensitive pricing issues, and knowing where the business is headed'.

The much larger accounting group known as the sales and marketing support group has not yet realised how to embrace this challenge. I naturally wanted to understand why value-add had not been fully embraced or adopted throughout the company. The main reasons are as follows:

Catch-22 #1

Because the sales and marketing support group is not perceived as adding value (by those they report to), they do not get invited to offer their opinions or insights. Because they do not 'sit at the table', they do not know how to offer value adding ideas.

- *Size of Transactional Work Load.* Most of the sales and marketing support group is responsible for processing transactions, preparing historical spreadsheets, and conducting quantitative analysis.

Catch-22 #2

Because they mostly focus their time and attention on transactional work, the sales and marketing support group accountants have little time to spare to figure out how to turn this work into something that is perceived as value-add, so their resources are continually reduced.

- *Existence of Shadow Finance.* The managers, who sales and marketing support group accountants work for, are able to go outside and hire non-accountant business managers to do the desired trend analysis, forecasting, and monitoring business drivers. In Microsoft this is known as shadow finance.
- *Identity Crisis.* There is a natural clash between the sales and marketing support group accountants and shadow finance, which results in the duplication of efforts and a struggle for credibility.

In the 17 years since Microsoft's CFO jump started this new mind-set, lots of time and attention have been devoted to it, especially through formal training and numerous meetings; yet these efforts have not produced the desired impact.

According to a colleague who works in the business finance group, the people who hold on to the transactional historical mind-set are often uncomfortable working with qualitative data, feel the need to back up every opinion with fact, want to be 100 per cent accurate before they present a finding, prefer to report on facts instead of opinions, or focus on the processes instead of results.

This is the primary reason my colleague feels that members of the sales and marketing support group are not perceived as value-add partners. Meanwhile, many employees who work in Microsoft's many finance units share the opinion that they are understaffed for the amount of work they face. Microsoft's management disagrees.

The colleague added, 'A majority of the members of the sales and marketing support group want to add value but they also want to be told specifically what to do'. Microsoft managers answer this often debated question with this statement, 'You tell us what you should be doing'.

I can see a clear gap between the theory and the practice as Microsoft continues its transformation of turning management accountants into keepers of trust. Value-add partnership is a sensitive topic within Microsoft.

How We Must Respond to Value Creation Expectations

In the accounting profession we serve as both managers and leaders, and we must excel at both. In many large companies there is generally an individual who stands out as the leader. However, in many smaller organisations, there is not a clear differentiation between the manager and the leader and people are expected to wear both hats, thus blurring the roles.

The subtle differentiation between a leader and a manager has to do with specific expectations on the person in that role. Box 2-2 clarifies these two overlapping roles by focusing on the expectations of each from the point of view of the chief executive, executive committee, and governing body. I refer to each of these distinct groups collectively below as ‘your employer’.

Box 2-2: Expectations of Leaders

Expectations on a Manager

Your employer’s chief executive expects you to

- serve as the administrator.
- build and maintain systems and structures.
- establish controls.
- have a short-range view.
- ask ‘how’ and ‘when’.
- do things correctly.

Expectations on a Supervisor

Your chief executive expects you to

- be a contributing member of a team.
- be part of the solution.
- manage the organisation’s employees efficiently.
- ensure employees show up to work on time and properly trained.
- fill in as needed.
- foster solutions.
- do things correctly.

(continued)

Expectations on a Change Agent as a Leader

As a mover and shaker in your organisation, your chief executive expects you to

- build and maintain a contributing team.
- take charge whenever necessary.
- be proactive.
- set as well as communicate expectations to others.
- hold people accountable (this obligation extends beyond your team).
- set the tone for both the team and the organisation.
- assist in setting the firm's direction and fulfilling its mission.
- be an originator.
- seek and exploit opportunities.
- manage risk for the entire firm.
- test the moral compass.
- shake up the status quo whenever necessary.

Tony's example of how he rose to the occasion to solve a deep problem will illustrate for you the mind-set that 'I am a change agent first'.

Case Study of Reluctance in Dealing With the Next Generation—Tony

Recall our fictitious case study characters Linda and Tony. Several weeks had passed since my last session with Tony. In that time, Tony had made progress on improving his team. He replaced Benny and several other employees who did not wish to shift their attitudes. Although most of his employees are in the 40 to 55 age range, his most recent hires had been people who are much younger, in the 20 to 30 age range. These new employees brought with them a lot of energy and ideas, but Tony could foresee problems caused by the significant differences in age.

The New Generation

I asked Tony what he wanted to focus on. He replied, 'The relationships between my new employees and the rest of my team. From what I have witnessed, we are having a few problems. The younger members of the team appear to have an entitlement mentality. The experienced employees do not want to interact with the inexperienced employees because they feel they cannot relate. The new hires want to use the latest technology and are disappointed that we don't have it in place yet. The experienced employees are going crazy because the new hires don't want to listen to their wisdom and would rather learn by trial and error. Many of the things the new hires do seem to upset the experienced employees. I am not sure I know how to manage this younger crowd'.

I gave Tony a briefing about generation Y so he could understand where they were coming from. After he got a sense of who they were and what defined them, he wanted ideas on how to manage this mixed group. I said, 'Your goal is simple: You want to get to know them and for them to know you. This is what I suggest. Set up a meeting with all the newer members of your team, whatever age, under the guise of a training session. Instead of teaching them anything, I want you to spend time asking what they want from their jobs'.

I could tell Tony was uncomfortable with this suggestion because he did not know exactly what he should ask. I needed to encourage him so I said, 'By knowing what they want and understanding their assumptions, you can foster better relationships between the younger and older members of your team and it will give you clues on how to help them integrate into your team. Do you recall the incident that happened to you at CMM CPAs?'

Tony replied, 'Yes. Why do you ask?'

'Because what happened there is similar to what you are facing now'.

Story—Failure to Address Younger Employees' Needs

CMM is a small CPA firm that has grown steadily since it was founded in the early 1980s. Like firms of its size and scope, its partners begin the process of staffing up for the busy season—January through May—in the fall. The firm usually hires accountants with less than three years of experience because they cannot afford to invest in their training, knowing that the person hired will likely leave in less than three years. The primary sources of the prospects are the large regional and national CPA firms. These larger firms recruit newly minted college graduates who typically leave after a couple of years due to the stress of 60-hour work weeks. If such a person chooses to stay in public accounting, he or she will seek employment with a smaller firm. This is the sort of person CMM prefers to hire.

Three years ago, the firm's partners (C, M, and M) decided they needed to shake things up. The three owners were nearing retirement age and felt the need to find and hire individuals who would be their exit plan and hopefully buy into the partnership or maybe buy the firm outright. Taking a big risk, the firm recruited two individuals, J and D, from a Big Four firm. Both held the title of supervisor and were experienced in running larger client engagements.

There was an age difference of over 30 years between the current partners and the future partners, which means they were from 2 completely different generations.

Almost immediately, C, M, and M began to groom J and D to become future owners. They were given manager titles and assigned young staff members to be on their team. Unfortunately for CMM, things did not go as planned because of five problems:

1. *Direction and Guidance.* J and D were told, 'This is your job', and had no other training. They were thrown into the deep end of the pool and told to tread water without any support and guidance. They floundered immediately.

2. *Management Experience.* Even though J and D had supervisor titles in their prior job, neither was trained in how to lead. Due to this, they immediately began to use management tactics that might work in a large bureaucratic hierarchy, but not in a firm with less than 20 employees. Their actions and behaviours upset nearly every employee they worked with.
3. *The Firm's Culture.* J and D were trained in an environment where there was a form, process, or system for everything. However, CMM, like firms of a similar size, operated informally with a flexible and loose structure. This really bothered J and D and their frustration spilled out in negative behaviours and attitudes.
4. *Different Generation's Approach to Work.* The partners of CMM and their older tenured employees knew that working long days and weekends was a requirement to get client work out the door as promised. J and D, however, felt this was an unreasonable expectation. Their attitude was, 'I'll put in my eight hours and then I am done'. This meant that other employees of the firm had to work even harder to meet client expectations.
5. *Communications and Feedback.* C, M, and M were unreasonably afraid of conflict and avoided holding employees accountable, providing honest feedback, and clarifying unspoken expectations. As a result, J and D operated without any feedback and assumed that they were doing exactly what was expected of them.

As a result of these oversights and shortcomings, J and D believed erroneously that things were great, but their bosses were wondering in silence, 'What is wrong with them? Did we make a mistake in hiring them?'

When J and D were in their second year of managing client projects, this brewing storm intensified just as busy season arrived. It hit hardest at the staff accountant level and claimed three members of CMM's staff who were hired in the traditional fashion: with less than two years of experience and a desire to get just enough experience to earn a CPA certificate.

These three staff accountants were members of either J's or D's team. They resented that two accountants with less tenure at CMM were now in charge. They all hated the dictatorial management treatment they received from J and D. They disliked that CMM's partners ignored their complaints about J's and D's arrogant attitudes. They felt isolated and disconnected from the firm. Worst of all, they saw the behaviours that J and D practised were out of alignment with CMM's values. Unable to get attention for their sad plight, the three employees felt their only option was to quit and resigned just before busy season. Tony was one of those three.

The three partners were shocked and in a panic. It was too late to replace the accountants who quit. As a result, the firm was understaffed throughout the busy season. CMM's reputation for quality and timeliness was tarnished. Meanwhile, J and D felt grunt work was beneath them due to their position as future partners. They openly resented doing the menial client work they were asked to do and took their frustration out on clients, which harmed relationships between clients and CMM.

When the busy season concluded, the partners scratched their heads for many months, confused about what had happened and why there was no warning. As they geared up for the coming busy season by hiring five new staff members, they grew apprehensive. They feared a repeat of the problems and their pain deepened.

To get rid of their angst, one of the partners reached out to me for guidance. I helped them determine what had happened and offered suggestions for preventing the issues from recurring and healing the damaged culture. I identified the five problems and then offered several solutions.

Unfortunately, the partners (C, M, and M) were clueless about how their own actions contributed to this mess.

Tony went to work for another firm where the partners were more in touch with the employees' needs. I asked Tony, 'Based upon your unhappy experience with CMM, do you think that you need to determine what your younger and newer employees' needs are sooner rather than later?'

I knew that I had reached him, because his only option was to give me a hard time. 'Yes, I need to change this dynamic before one or more of them resigns!'

MIND-SETS THAT ENHANCE THE CHANGE AGENT ATTITUDE

We already covered the first of eight mind-sets and learned that by embracing them, you are on your way to becoming a true agent of change. As you shift into a consultant mind-set, be sure to enhance these often by challenging what you know and what you can do, and then by believing in yourself more.

1. No More Bandages
2. I Will Challenge My Assumptions
3. I Will Improve Problem Solving
4. I Know What Role to Play
5. I Will Set the Scope (of the Work) Early On
6. My Credibility Opens Doors
7. I Will Do My Best to be Trustworthy
8. I Can Make the Pain Go Away

These mind-sets compliment the advanced skills and because they do, a few of them are intermixed in this chapter. For the most part, the mind-sets are located in the last half of this chapter.

SPECIAL SKILLS THAT SUPPORT THE CHANGE AGENT ATTITUDE

As you evolve into a consultant mind-set there are eight unique skillsets that enable you to become an independent minded problem solver:

1. Practise personal brand management
2. Practise Teflon®-coated mental toughness
3. Practise being a fortune teller
4. Engage in possibility thinking
5. Put the good old days in perspective
6. Know how to discern assumptions
7. Know how to change and shape a culture
8. Advise senior level people on the need to change the culture

In the following section, you will learn about the first six skills. The more complex skillsets of 7 and 8 will be discussed in chapter 4, 'Focus Area #2—Culture'.

Special Skill: Personal Brand Manager

In a magazine article, and in his book, Tom Peters suggested that you must master the skill of seeing yourself as your own brand. He wrote that being successful and employable in today's rapidly changing business world requires you to become

[a] free agent in an economy of free agents, looking to have the best season you can imagine in your field, looking to do your best work and chalk up a remarkable track record, and looking to establish your own micro equivalent of the Nike swoosh. Because if you do, you'll not only reach out toward every opportunity within arm's (or laptop's) length, you'll not only make a noteworthy contribution to your team's success—you'll also put yourself in a great bargaining position for 'the next big change project'. Start right now: as of this moment you're going to think of yourself differently! You're not an 'employee' of General Motors, you're not a 'staffer' at General Mills, you're not a 'worker' at General Electric or a 'human resource'! You don't 'belong to' any company for life and your chief affiliation isn't to any particular 'function' such as accounting. You're not defined by your job title and you're not confined by your job description.¹

This was innovative thinking when it was written in 1997 that has evolved into conventional wisdom today.

Self-protection is a benefit when you treat yourself as your own brand. Loyalty to an employer is not rewarded in our profession. Your department could be downsized at any time, usually as an excuse to improve profits. Despite your best efforts you might be surrounded by people like Beavis who may lack a professional attitude and commitment to excellence.

Rather than give up, it is better for your self-esteem and career to take charge of your own destiny. As a change agent, you will be asked to make things better but given little direction and guidance on how to do that. Again, being your own brand gives you the confidence to do your best in all conditions.

A few things you can do to control your own destiny are

- establish ownership for all your work and work products.
- define your unique assets or talents, past and present.
- prove your worth to your employer every day by creating measurable value.
- continually reinvent yourself by learning new things and skills.
- seek out the ways that your current skills are transferable to other professions.
- create a positive focal point in your life that is outside of work, such as a hobby or avocation.

Special Skill: Teflon-Coated Toughness

You will naturally become emotionally tied to your employer, which at times can cloud your judgement. To be a successful, independent-minded change agent you need to develop a mental toughness. This toughness is required because you will find yourself stuck in the middle on many issues.

It is hard for most people to feel comfortable in this unique role. Many change agents feel that they are working themselves out of a job. If you feel like this then you are doing the right things. I coined the term for this skillset using the metaphor of Teflon, which is a material that holds up to heavy use and high temperatures. Yet Teflon keeps a smoothness that prevents sticking. By putting Teflon with the word toughness, it describes an attitude of being supportive, concerned, and caring, yet being able to stay emotionally independent.

Some of the many reasons to be skilled in Teflon-coated mental toughness are expected, and a few may be new to you. They are outlined in box 2-3.

Box 2-3: Traits of Teflon Coating

1. You are doing work that is normally not done by an accountant, which puzzles people.
2. Employees do not understand why you are poking into their area of expertise.
3. The person who empowered you may not have explained what your charter is.
4. The person you work for may have tremendous or minimal expectations about what you can do.
5. Employees have a natural wariness when dealing with those people from accounting.
6. Team members often think that you are trying to take their jobs away.
7. Besides producing quick results, executives are looking for specific advice on how to improve things.
8. Employees are already busy so they have very little time available to interact with you and answer questions.
9. No one quite understands your authority or why you are asking them to do things for you.
10. You are asked to get things done through employees whom you do not supervise.
11. Due to your change agent duties, you are not always available when needed, which can be unsettling to some.
12. You must stay focused and on task every day.

Special Skill: Fortune Telling

The fortune teller, who some people assume has the ability to read the future, is merely a person using the three elements that you need to be successful as a change agent via a connected skillset of hindsight, foresight, and insight.

The next skill you need to be a successful change agent is what I have coined the Talents of the Fortune Teller. This is the ability to openly and confidently use your hindsight, foresight, and insight. Assume that you have concerns about your future so you visit a fortune teller. She hands you a cup of tea—after you pay her fee—and you talk about your issues and concerns. Upon finishing your tea, she takes your cup and pours the tea leaves onto a plate. She proceeds to read your future by studying the tea leaves. This expert you have engaged is using her gift of three special sights to help you sort out what you need to do.

Hindsight

The fortune teller has years of experience and wisdom behind her. She has heard about nearly every problem that a person could experience. The fortune teller uses the hindsight of her and others' experiences in advising you.

Most of us have 20/20 hindsight. The master of change must have 40/20, meaning you can quickly look at the past and identify trends and opportunities. You are experienced and have been through all sorts of situations. You have listened to the stories of others in continuing education sessions or in casual conversations. Believe it or not, your brain has stored all of this data, which is accessible whenever you need it. The trick in your fortune teller abilities is to trust in yourself. The first element of the fortune teller skillset is to use your hindsight as an asset.

Example: Motorola's Three-Day Close

Many accounting departments have and still struggle with the process of the month-end close. It typically takes both international companies and small ones three to seven days to close, from beginning to end. Yet management teams and boards are demanding that the month-end reports be available by the second working day of the new month. This cannot happen unless the accounting team can close in one day, the current world-class standard.

Motorola put pressure on their global accounting team to make the change to a 1-day close. Motorola's CFO said that the pressure was especially intense because all their subsidiary entities usually took between 10 and 15 days to close.

As the primary change agent, he took this challenge and put a plan in place to make the fast close the standard. He said that going from 10 days to 1 was a huge undertaking, so he set the goal of achieving a 3-day close. It took over a year but his teams achieved it; they could consistently close in 3 days.

After that transformation was made, he said, 'I made a mistake. I set the bar too low. The work it took to achieve the three-day close was the same effort it would take to reach a one-day close. In hindsight, I set the goal at three, when I should have set it at one. We would have gotten there'.

Foresight

You might assume that this fortune teller has the gift of extra-sensory perception when she predicts the future, but it is only foresight, which means simply understanding the phenomenon of cause and effect. By observing, you too can become an expert on tracing a result back to its source. The fortune teller knows this and relies on observation to amaze you with her foresight. As a change agent, foresight is not only the ability to think ahead and predict the future; it is also the courage to act on what you predict might take place. People in accounting prefer not to make mistakes, so we often fail to act if we do not have sufficient information. This fortune teller skill requires courage because your trigger point for acting is much lower than your comfort level.

Example: Acting Without Perfect Knowledge

You are collecting data that will lead to an important decision, which needs to be made quickly. If on an imaginary scale having no information is 0 and having complete information is 100, the time for you to act is at 60 on this scale. If you would only act when you reach 85 on the knowledge scale, you will have a hard time being a good change agent. The willingness to act sooner than later takes tremendous faith in your own abilities and yet it is a crucial element of this fortune telling skillset.

Insight

The fortune teller tells you the meaning of the tea leaves because she deeply understands human nature. Believe it or not, people are predictable. The fortune teller uses this knowledge of the human mind, known as insight, to say the things that makes you believe she knows the real you. Even before your appointment with the fortune teller, you already knew what you needed to do, you just could not admit it. You already know where you are headed. If you do not change your path, you know exactly where you will end up.

The third element of the fortune teller skillset is insight. All too often accountants tend to take situations at face value or rely only on numbers. You give a budget variance report to a manager without any context. You hand a notebook filled with management reports to the executive committee without notes. You prepare a special analysis report for someone who requested it and never take the time to reveal the insights that you gleaned from your work.

As a person with a deep background of financial accomplishments, you have tremendous insight that very few people in your organisation have. It is your gift and yet for some reason you may be too timid to share your insights. The people in business who earn the highest financial rewards are those who are willing to share their insights and the courage to stand behind them.

Because learning is a key component when seeking permanent creative solutions, you must enrol your employees so that they help in developing ideas on the prevention of lingering problems by tapping into their combined insight.

Example: Lack of Profits

I recently consulted with a professional services firm that had high employee turnover and was not profitable all year-round, only in their busy season. Using insight, the question I needed to ask was, 'Are issues such as turnover, dissension, and lack of employee engagement problems or symptoms?'

I knew that those conditions were symptoms and not the cause of the problem. After asking many questions and looking at the firm objectively, I found that these problems were caused by their fractured culture. After we made sure all the partners supported a unified set of values, these lingering problems vanished.

Putting Them All Together

Our next example shows how these skills can be applied to a common workplace problem.

Example: Frequent Lunch Meetings

It is one thing to declare a policy stating that your company frowns upon having meetings that involve the company paying for lunch. It is another thing entirely to understand why so many meetings in the company need to take place during the lunch hour. To determine how to curb this practice, you must apply all three skills to the problem.

In a recent meeting the chief executive said, 'You must do something about these meetings. The money we spend could be used elsewhere. Do whatever it takes to reduce the number of meetings where we pick up the tab'. You could (a) write a policy forbidding them, (b) stop funding them, or (c) highjack all the conference rooms during the lunch hour. Being a master of change, you decide to think like a fortune teller to solve this challenge.

Using hindsight, you note that the lunch meetings are often a waste of time because they lack a focus, an agenda, and people generally show up unprepared. These meetings tend to end in personal discussion because the employees rarely have time to gather together.

You also know that that employees dislike rules so foresight predicts that unless you are creative, employees will find ways around any new policies prohibiting company sponsored lunch meetings. Employees see this practice as a benefit (that is, a free lunch). Executives, who schedule over 80 per cent of the meetings, see them as a benefit because they do not schedule time in their busy schedules to meet with their employees. Employees are told they must attend these meetings. You predict that unless behaviours shift, nothing will change. Your firm has flexible hours, so employees are always coming and going throughout the day.

Your Findings

Tapping into your tremendous insight you recognise these six truths that apply to this situation:

- *People pay specific attention to what the chief executive wants.* The chief executive drives the change, otherwise it will not be accepted as a priority.
- *Employees follow their leader.* Your firm's executives will need to change their behaviours towards lunch meetings first.

- *Employees need multiple avenues to stay in touch.* Because employees use these meetings as a way to stay updated, new channels for widespread communication must replace the meetings.
- *Organised structure removes confusion and chaos.* Team and department managers will need to have regular meetings with staff so they will rely less on lunch meetings. When meetings have structure such as an agenda, time limits, and requirements for written action plans and each person comes prepared, more would get accomplished in less time.
- *When people take responsibility, they own the problem.* If employees were required to reimburse the company for the cost of meals, they would attend fewer meetings or provide their own food.
- *Behaviours that get measured are managed.* By tracking the frequency of meetings, who scheduled them, their purpose, and their length you will have a baseline to measure against.
- *Behaviours that are rewarded are repeated.* Because employees are rewarded to use the meetings for paid lunches and disorganisation, you will need to find incentives for them to be organised and end a reliance on company paid lunches.

Now that you have done this thoughtful analysis, this practice has a high probability of being removed from your culture.

Special Skill: Possibility Thinking

The best accountants who have become successful change agents use a skill of thinking about possibilities. Possibility thinkers make good change agents because they see what does not exist and they move to create it.

You may have heard the story about the partially filled glass of wine and how you can predict the person's orientation by how they describe it to their host. The pessimist complains that his glass is half-empty. The optimist, whose glass is half-filled, is thankful. The realist asks for a smaller glass.

A possibility thinker sees the partially filled glass of wine as an opportunity to (a) redesign the glass, (b) mix that wine with another type to see how it tastes, (c) toss out the wine and fill his glass with champagne, or (d) add fruit to the glass to make sangria. To the pessimist and realist, this behaviour seems frivolous, yet seeing alternatives that others miss is a vital skill required of the true master of change. It takes courage and imagination to see the world in ways that others do not. That is why you will soon be able to craft lasting solutions to intractable problems because you see possibilities where others do not.

Special Skill: Forgetting the Good Old Days

Natural Law of Change #11

There is no normal. Never was. Never will be.

Nearly every person who has experienced major change holds onto this thought: I cannot wait until things get back to normal. The problem is there is no normal. This nostalgic thinking is natural for us humans, but the truth is there are no good old days. Yesterday was neither good nor bad, it was just different than today.

Regularly I meet accountants who speak with fondness for the days before the cloud, the Internet, firewalls, e-mail, smart phones, laptops, and desktop computers. They speak about the virtues of the uncomplicated general ledgers, simpler tax codes, manual general ledgers, and hand-prepared tax returns. They lament keeping track of their many user names and passwords, having to wear a security badge, and the need for frequent technology upgrades.

This desire for the less confusing good old days is simply our initial response to change. It takes time and tremendous repetition to learn new things like texting, Skyping, participating in video meetings, and being on a virtual team with people you never met.

You must relearn a skill that you had as a child—seeing the never ending continuum of change in your work and personal life as no big deal.

There is a simple and powerful process to use for recovering this innate skill. Whenever you find yourself pining over the good old days, remind yourself that a belief that yesterday was perfect will eventually become a fallacy. Remind yourself that change is necessary and a vital part of mankind's growth and development. Each time you feel a loss of something that triggers a desire to return to the past, pause and write about how different things were for you 15 to 20 years ago. This trip down memory lane will remind you that progress and evolution does quite often leave you better off.

Special Skill: Discerning Assumptions

This is such a significant skill that I am devoting a whole section to it because it is also a new mind-set you must adopt.

Mind-Set Shift: I Will Challenge My Assumptions

Change Agent Principle #10

Your assumptions drive everything.

When seeking lasting creative solutions to a lingering problem, your list of possible solutions must begin with your original assumptions. Why? You ask. Your solution to a problem comes from your defined critical issues, which comes from your analysis of the problem, which comes from your intentions, which come from your assumptions about the world and about yourself.

Assumptions are the beliefs and biases you have about what the world around you is like. Humans naturally adopt these opinions based upon their experiences. Assumptions are not always the truth or based on fact. They are your perceived version of reality or perspective. These can change or remain the same with new information over time. When you were younger you may have believed that anyone over 40 was an old fogey. When you turned 40, you realised that this assumption was incorrect and adopted one more in line with your current age. Holding onto a bias that is not true prevents you from getting past the status quo, finding the cause and effect connection, seeing possibilities, being creative, and recognising an opportunity to shift.

Intention is your purpose regarding the problem. Your goal could be to fix it, improve it, leave it alone, prevent it from happening, or establish a new system so the problem never occurs again.

The scope of a change project comes from your intention. However, due to the tremendous demands on your time and your never-ending task list, your intention when addressing a problem is usually to find a bandage or quick fix for the pain, thus dealing only with the symptom. In change management, your intention must go broader—to prevent all causes of the pain.

Analysis is the type of work you do to investigate the problem, such as understanding its causes and determining its depth or breadth. As an accountant, your tendency will be to examine the numerical and quantitative aspects of the problem. However, you need to also analyse the quality and hard to measure aspects as well. Even though the numbers support the new path, employees' acceptance of the solution may hinge upon their liking it.

A *critical issue* is a threat or opportunity that will have a substantial impact on the organisation's performance. The issue or problem can make or break you. Critical issues are the main challenges that must be addressed for your organisation to be successful. They can be strategic, operational, or both. If the issue will have a long-term and lasting impact, it is most likely critical.

How Assumptions Drive Solutions

Figure 2-1 illustrates how someone creates a solution to a problem. Each element, as represented by a layer of the pyramid, is a thought process we all go through to formulate a solution.

Notice that a flaw in any of the thought processes depicted in figure 2-1 will lead to a flawed solution. Your assumptions are the foundation and cornerstone for all the elements leading to your solution. This is why the master of change learns how to validate all the assumptions that could be used when seeking a creative lasting solution.

Examples of Assumption Changes

Dressing. Visualise yourself getting dressed this morning. Pay attention to the details. Before you visualise this activity again, assume that you are five years old.

Lunch. Recall the details about what you had for lunch yesterday. Think about what you selected to eat and why you chose it. Before you visualise this activity again, assume that you are a teenager who does not care about what you eat and who is perpetually hungry.

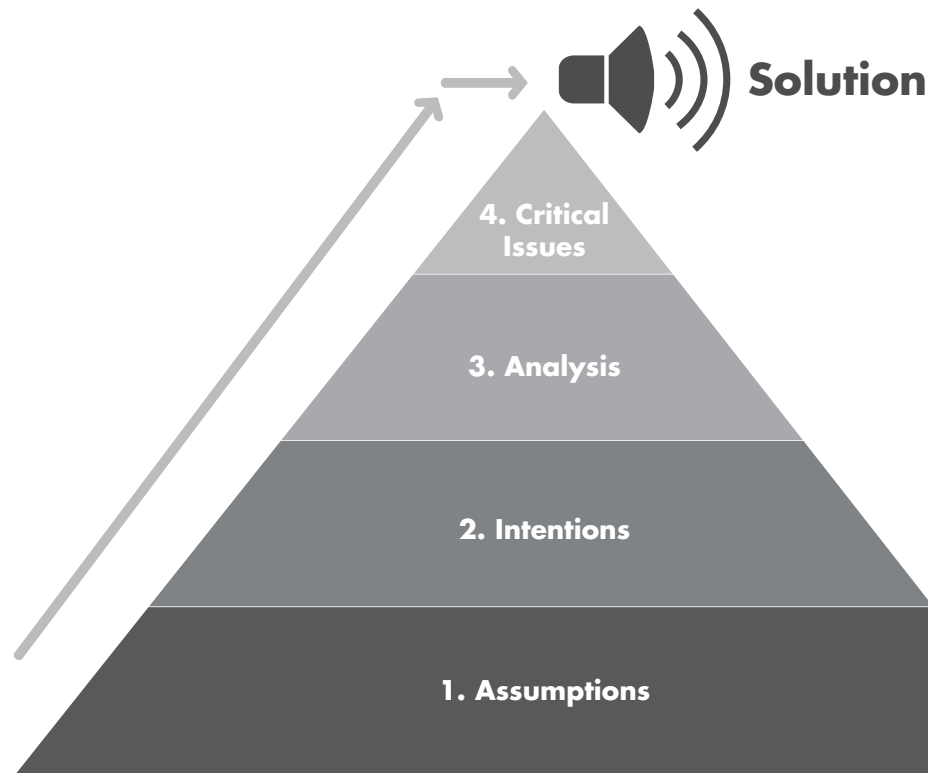
Career move. Think for a few seconds about what you believe is your next career move. Before you reconsider your options again, assume that you are blind or deaf.

What did you notice in each of these examples as you changed your assumptions midstream? You probably noticed that the assumption you had in mind altered everything that followed. This illustrates the influence, impact, and importance of your assumptions.

Power of Assumptions

As a change agent, you are obligated to (1) define the assumptions that you work from and (2) test, verify, and critique the assumptions that you use to solve problems and make decisions. Do this well before you get to the selecting solutions phase of any change project. This methodology is covered in the next section.

Figure 2-1: Solution Creating Thought Process



The Process for Problem Solving

1. Once you perceive something as a problem and wish to find a solution, you filter everything through a set of assumptions about (a) the problem, (b) those involved and affected, and (c) the context surrounding the issue.
2. You set an intention regarding the problem and what you aim to do about it. Many factors affect this step, such as time available, amount of support, your ego's investment in the problem, and others' involvement.
3. You conduct a formal, informal, or cursory analysis of the situation. Sometimes you do actual fact finding and other times you simply analyse your experiences with the problem or ones just like it.
4. This work is connected to step 2, because your eventual proposed solution will be tempered by things such as the requirement to get your boss's approval, finding the time to implement it, the cost to you, the need for others' help, and other factors that will critically impact the solution and its implementation. Without this last step, it is easy to think of the perfect solution that will never get implemented.

Assumptions are an essential topic for a professional change agent because of these two obligations you must live up to. Recall figure 2-1. When you are unaware of the bias or faults within your assumptions, your decisions and their outcomes are guaranteed to be flawed.

If you are implementing a change involving other people, as a group you could have thousands of combined assumptions, each of which create the cornerstones for your definition of the problem. Perhaps many of them are flawed, meaning they are not based on fact.

So you wonder, 'How do I know the assumptions that I need to address in order to arrive at a creative solution instead of a failed initiative?'

Before you start to brainstorm a solution, list all your beliefs about the topic you are addressing. I will illustrate how to do this in a case study.

Example: The General Ledger Close

Your accounting team is working on how to make the closing faster and wants to find the reasons why it still takes you six days despite your best efforts. Due to the chief executive's mandate, you need to figure out how to close in less than two days, so the management team can have information in their hands by then end of the third day. This will result in a major shift on the closing and reporting process.

Before you begin to redesign the process and seek ways to do it faster, the entire team must create a list of all the things they believe to be true about the general ledger close. Take as much time as it takes to list all the ones you can think of. Your goal is to find the major ones that will impact your eventual decision, so do not fret if you miss a few.

Your Response

Write out something like this:

- This is what we believe about closing the general ledger...
- It is impossible to close faster.
- Mr. Johnson (the chief executive) wants everything done perfectly the first time.
- We cannot work any harder.
- The managers want all the details in their reports.
- Sales will not cooperate with us to get their analyses in on time.
- We cannot ask Hilda (the general ledger accountant) to work overtime due to her child care situation.

You continue listing thoughts such as these. At times the tone of your thoughts will be serious and at times seem silly, but it is important to do this because those hidden beliefs are affecting you by (1) blinding you from seeing possibilities about what seems impossible today, (2) holding you back from finding major changes in how things are getting done, and (3) eventually impacting the quality of your final solutions.

Once you have listed between 15 and 30 assumptions, you must take steps to delve into the reality about them. This means talking to people, asking questions, and verifying the truth. If you were honest about these assumptions, you will find that many are untrue but yet no one has wanted to challenge the status quo or conventional wisdom regarding them. For those assumptions that are not true, you now have more information about the conditions so that you can deal with them head on.

Your assignment is to get all your facts correct so you can find optimal solutions, which make the shifts and overall change that make your general ledger close smoother and faster.

How You Shift Assumptions

You begin to change your faulty assumptions by continuing the process you already started. With your team, you create a second list regarding the topic, issue, or problem. Again, in a group setting write on the larger surface something like this:

The reality about the general ledger close is

- the chief executive hates the report package we now give him.
- the chief executive wants an 85 per cent accurate estimate of the month's profits on the 1st, no later than 5:00 p.m.
- managers would prefer sound bites of data fed to them daily instead of everything all at once.
- sales can perform their analyses by the 1st if we provide them with the XJ98 spreadsheet by the 26th.
- Hilda can put in extra hours if she has two days' notice and can leave by 6:00 p.m.
- we do not need to wait until the end of the month to analyse cost of sales variances.

Once you have conducted your fact-checking, you will find truths behind what has really interfered with getting the general ledger close done faster. Those excuses based upon faulty assumptions were the boulders in your path. Your next step will be to remove the smaller debris and pave a new roadway.

Mind-Set Shift: I Will Improve Problem Solving

As stated earlier, the professional change agent wants lasting solutions to their client's pain. The best way to stop relying on bandages and temporary pain relievers is to adopt your own structured problem solving system. The place to start is by asking, 'How do the highly successful professional consultants create solutions for their clients?'

EMPLOY THE POWER OF A CONSULTATIVE PROBLEM SOLVING PROCESS

A good consultant is simply a change agent from outside of the system. He or she is hired to do what the client is having difficulty doing for themselves. Therefore, every accomplished consultant has their own unique and sometimes branded process to instigate change, yet every process has the following common core elements:

1. An entry point to understand the client's needs
2. A diagnosis phase to investigate and assess the client's actual issue
3. An action phase to select the appropriate solutions and tools that are designed to permanently solve the client's problem

-
4. An implementation phase where the client becomes involved in applying specific solutions
 5. An ending or transition phase where the consultant transfers accountability to the client and offers additional suggestions or services

Each of these activities is interconnected and relies on the work done in the stage before it. Consulting is an interactive activity and a process of seeking, giving, and receiving help. Its organic nature means that one change leads to another and each insight leads to another insight. One change to the client's process could make one area better and another part of the work flow worse.

Throughout the overall change strategy and along with a core system, the change agent implements and manages four ongoing subsystems:

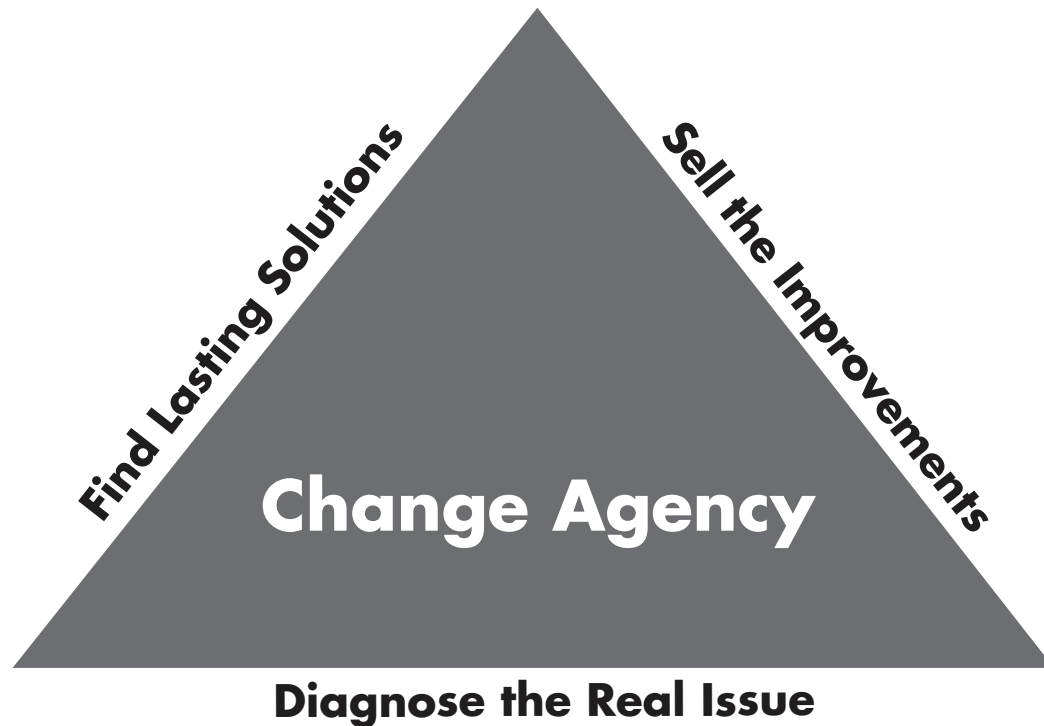
1. An interactive process for open and ongoing communications
2. A defined process for assessment of the tools applied and the findings from each application of them
3. A documentation process for identifying additional diagnoses of resulting shifts, new problems uncovered, and offshoot issues
4. An iterative process for continuous improvement and learning

I will show you three versions of formal problem solving processes or methods developed used by successful change consultants.

The Triage Version

Years ago, we developed our own three phase process for creating lasting improvements for our smaller clients. It is a powerful strategy that makes change happen quickly, so do not be misled by its simplicity. Our method allows the client to remain focused on the big picture and not get lost in the weeds. Figure 2-2 provides a visual representation of the process.

Figure 2-2: Version 1: Change Agent's Mission (Rael)



Phase 1: Diagnose the real issues. The first area of concentration is to uncover the real and underlying issues that create the problem and prevent it from being solved permanently. The client rarely knows what these are, because they focus on the pain, to the exclusion of seeking out its source.

Phase 2: Find lasting solutions. The second area of focus is on isolating numerous creative solutions and then narrowing them down to the ones that will have the most positive impact. In this phase, we might start out with 50 or more ideas and then end up with 12. However, if we skip or fail to do the necessary work in phase 1, our solutions will not be optimal.

Phase 3: Sell the improvements. Just because our consulting team arrives at novel solutions to the client's problems, they may reject our recommendations for many reasons. So the next serious effort in our change system is to really sell the client on the value of implementing our proposed solutions. As you will discover later, there is a world of difference between the client accepting a solution and his or her commitment to implementing it.

Formal Consulting Process Version

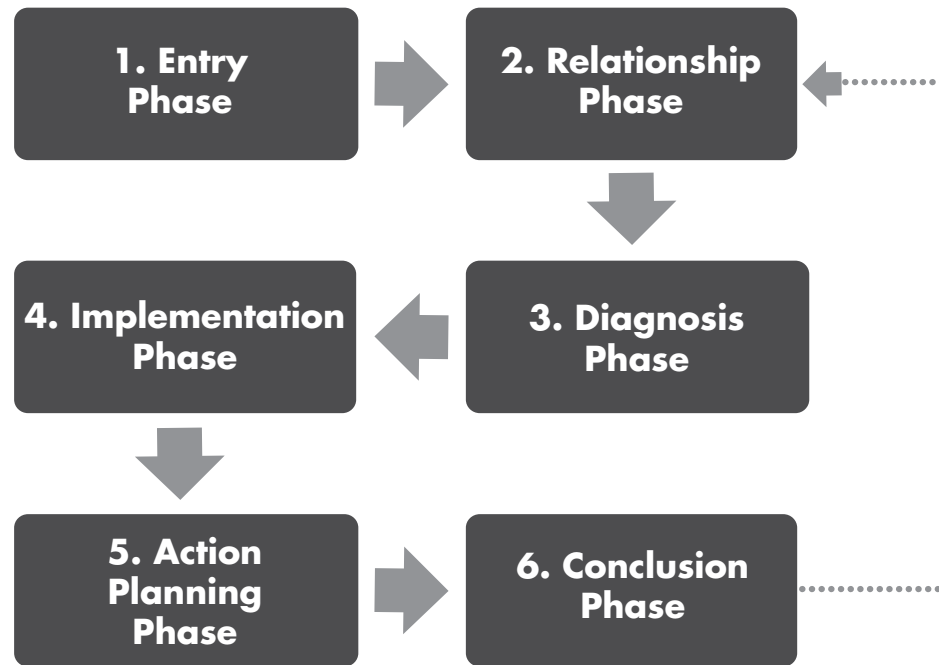
Gordon and Ronald Lippitt put 35 years of work, as pioneers in consulting and training, into their book *The Consulting Process in Action*.² This was the first time professional consultants pushed back the curtain of mystery and described the nuts and bolts of how they were able to get clients to change.

The Lippitts developed a six phase change process that

confronts the [change agent] and client with a series of interaction decisions and possible alternatives for behavioral strategy. These interaction decisions and behaviors [are] the responses of a would-be helper to the need, concern, or pain of a client. The phases of the consulting process are equally applicable to all types of helping relationships.

Figure 2-3 presents a graphical representation of their overall change management strategy.

Figure 2-3: Version 2: Formal Consulting Process (Lippitt)



The Lippitts envisioned the six phases as follows:

Phase 1: Engage in initial contact and project entry. This is the entry point for establishing a working relationship between the change agent and the client. The work here is to identify and match up the potential client and potential consultant. Establishment of each party's accountability is vital to getting the project off on the right footing. The consultant performs a deep exploration to clarify the client's understanding of their problem while investigating the client's willingness to devote the time, energy, and resources required. In this stage, the client ascertains the consultant's capability, knowledge, and trustworthiness to do the work.

Phase 2: Establish the relationship. A change project will not be successful until all the parties know how to work together in order to get to the desired outcomes. During this stage, those outcomes are identified and clarified. Both parties then determine responsibilities and define the projected timeline. The means for assessing progress towards the outcomes are defined as well. These work items are vital in order to instill accountability and a sense of urgency in the project.

Phase 3: Identify the problems. In the diagnosis stage, the consultant applies tools and analysis to assess the client's readiness for change and what it will take to arrive at the desired future state.

Phase 4: Set goals and a plan for action. This action-oriented phase involves step-by-step planning of the work required to reach the desired goal. The client's staff is highly involved in the change process, with the guidance of the consultant. A viable plan defining specifically 'who', 'what', and 'how' needs to be developed and agreed upon.

Phase 5: Take action and cycle feedback. The acceptable plan for transformation begins to be implemented and monitored. The payoff of consulting lies in successful action and in the continuity of long-term gains after the

first bursts of energy are expended. The consultant creates ways to elicit client feedback in order to maintain an ongoing assessment of the progress about the consequences of actions taken and the need for additional tools. If revisions need to be made or more resources expended, the feedback loop is designed to keep the client informed and committed.

Phase 6: Complete the contract. This concluding stage of the project is more than just getting the results the client asked for; it is about maintaining a good relationship. Notice the arrow that flows from this back to phase 2. A lasting relationship is important because short-term gains are fragile and are often followed by regression or trigger destabilising actions. The consultant must design a plan for continuing evaluations of the progress and consequences of their change plan. The client may also need some hand-holding support because the designed improvements take people away from their comfort zone.

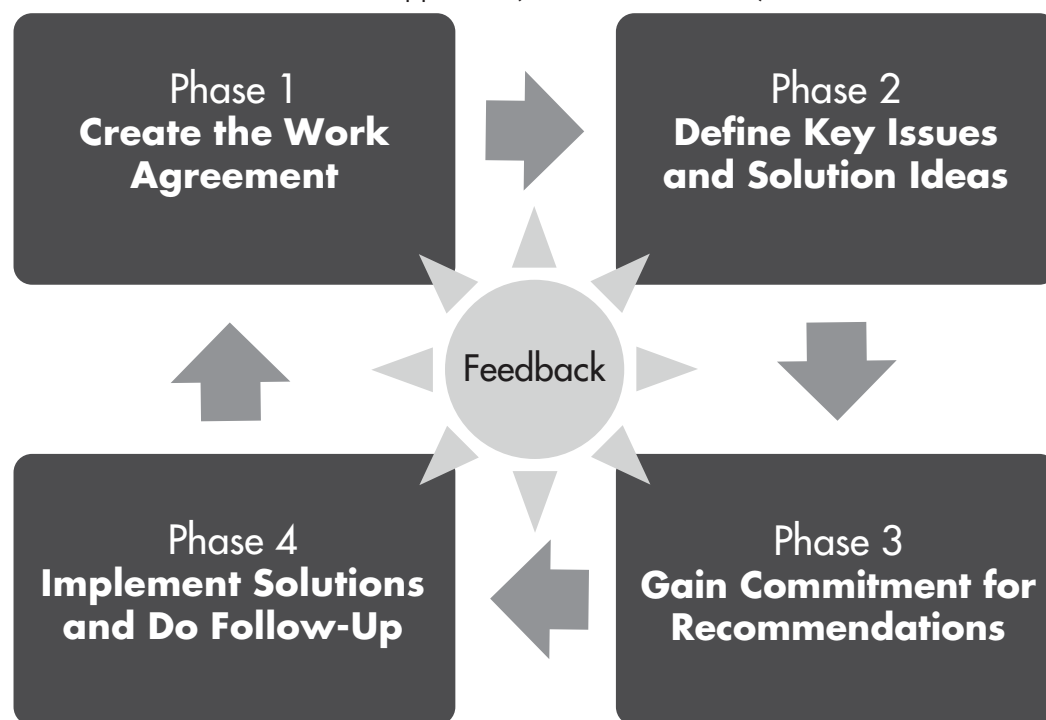
The final work is to then hand off accountability for the success of the changes to the client and create a reasonable exit plan for the consultant. The goal is for every consulting relationship to have a healthy, mutually satisfying termination of the working relationship.

Formal Consultative Approach Version

Two accomplished consultants, Virginia LaGrossa and Suzanne Saxe, decided to share with the world the process they developed and use on their clients to make shifts and remove their pain.³ Virginia and Suzanne define their consultative approach as ‘partnering with others to produce optimum results and simultaneously build trust and commitment’. Their formal methodology that fosters improvements and change ‘is drawn from the disciplines of consulting, sales, project management, education, communication, and psychology’.

This illustrative book also removes the secretiveness of how accomplished consultants perform their magic on challenges. Figure 2-4 provides a graphical representation of their problem solving process.

Figure 2-4: Version 3: Formal Consultative Approach (LaGrossa and Saxe)



The phases of their process are as follows:

Phase 1: Create the work agreement. In this stage the consultant strives to understand the client's business and needs, and then holds a work agreement discussion. The client and consultant must see eye-to-eye on the expectation and desired outcomes. Once a working agreement is finalised, the consultant formalises the scope of work, obtains the client's approval, and communicates the work agreement to all those involved.

Phase 2: Define the key issues and your solutions. In order to find the true causes of the client's pain, the consultant will sift through information gathered via research and investigation in order to gain insights. This involves meetings, discussions, questionnaires, and surveys with all the client groups affected by the proposed change. Once the main issues are defined, the consultant meets with the client groups to verify the reality of the key issues and then brainstorm solution ideas. Using this information, the consultant meets with the primary client to further explore the key issues and solution ideas. The goal is to understand both the client's needs and concerns and any potential obstacles so that the consultant can develop possible solutions.

Phase 3: Gain commitment to your recommendations. Armed with insights and tools, the consultant prepares his or her recommended solutions. Meeting with the primary client, the consultant discusses what has been discovered, his or her conclusions, and the basis for his or her recommendations. The goal in this stage is to obtain the client's agreement and commit to proceed to the next step of the change project. The better that you understand the client's issues and business, the easier it is to get agreement on the solutions. However, striving for a commitment will tell you if the client really wants to invest the time, energy, and disruption in the change.

Phase 4: Implement the solutions and conduct a follow-up. The work to implement the change starts in this stage with an implementation map, which includes integration of organisational, operational, and individual success factors into a game plan. The magnitude of the implementation efforts depends on the complexity of the solutions, anticipated obstacles, and available resources. This map creates a focus on planning a well-conceived rollout that creates readiness for the solution and ensures reinforcement.

Employ interactive feedback (ongoing phase). In the centre of this change process is feedback. From phases 1 through 4, the consultant establishes a formal feedback process to engage the client in an ongoing dialogue about what is happening, what will happen, and what to expect. The consultant uses the client's real-time feedback to assess the success of the plan as well as uncover any additional unknown problems that arise as the change process runs its course.

Later in this book, when I refer to the phases of a change project or initiative, I will refer to the Triage version and its three phases.

Mind-Set Shift: I Know What Role to Play

The change agent's role runs across a wide spectrum from observer to advocate (illustrated in figure 2-6 below). Each role requires a different mix of skills working in conjunction with one another.

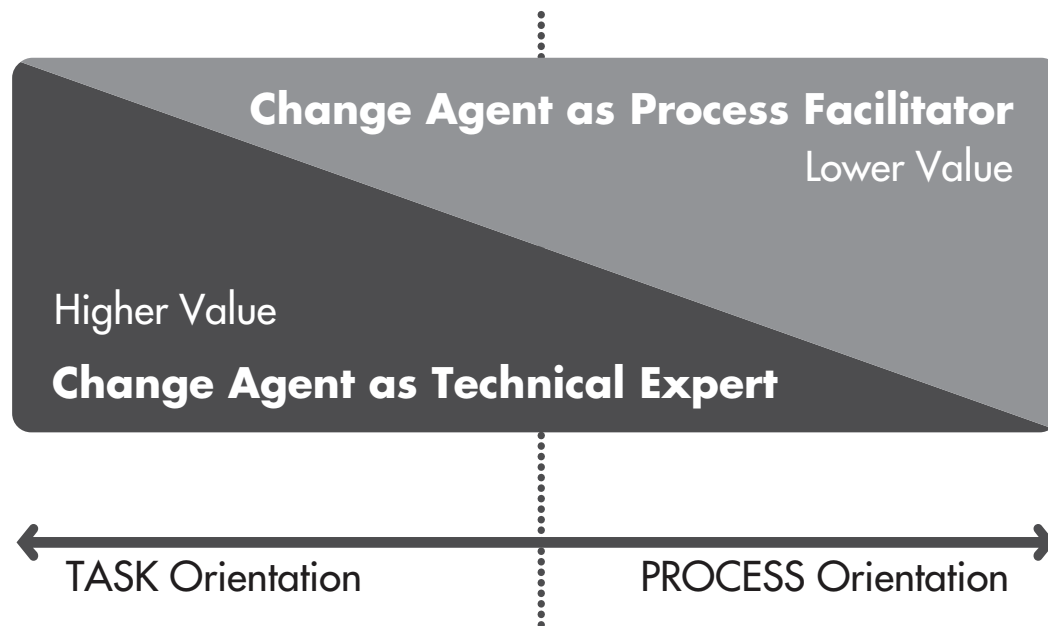
You have a wide possibility of roles to play as a change agent. You can proactively choose the one that best serves your client. When instigating or implementing change in a group setting many of the roles (described in the next section) are necessary.

THE CHANGE AGENT'S CHOICE OF ROLES

Role Spectrum 1

Figure 2-5 demonstrates that if the client or the problem you are solving requires you to be the technical expert, your role is one related to completing tasks. If the situation requires you to be the process facilitator, your role is process expert. Often, your role in making the improvements or finding solutions as the change agent will be a blend of both.

Figure 2-5: From Technical Expert to Process Facilitator



Adapted from Gordon Lippitt and Ronald Lippitt, *The Consulting Process in Action*, 2nd Edition (1994).

Task and Process Orientation Defined

Work can be broken down into processes and tasks within each process. Some accountants prefer tasks, which are necessary to carry out the process. Other accountants prefer to design and manage the process itself, letting others contribute by performing the tasks. Generally, doing the task repeatedly makes the person an expert in the work, and the process manager has less expertise on the various tasks that make up the process.

Client's Perceived Value

Figure 2-5 also reflects the relative value of your service to the client. They are usually willing to pay more for the technical expert and pay less for the process expert. This means that if everything was equal, the budget given to the change agent who is an expert on the problem being addressed will be larger than the budget dollars devoted to the process-oriented change agent. Why?

Almost anyone can claim to be a process expert and make it believable. Few people can claim to be a technical expert if they don't have the goods to back it up.

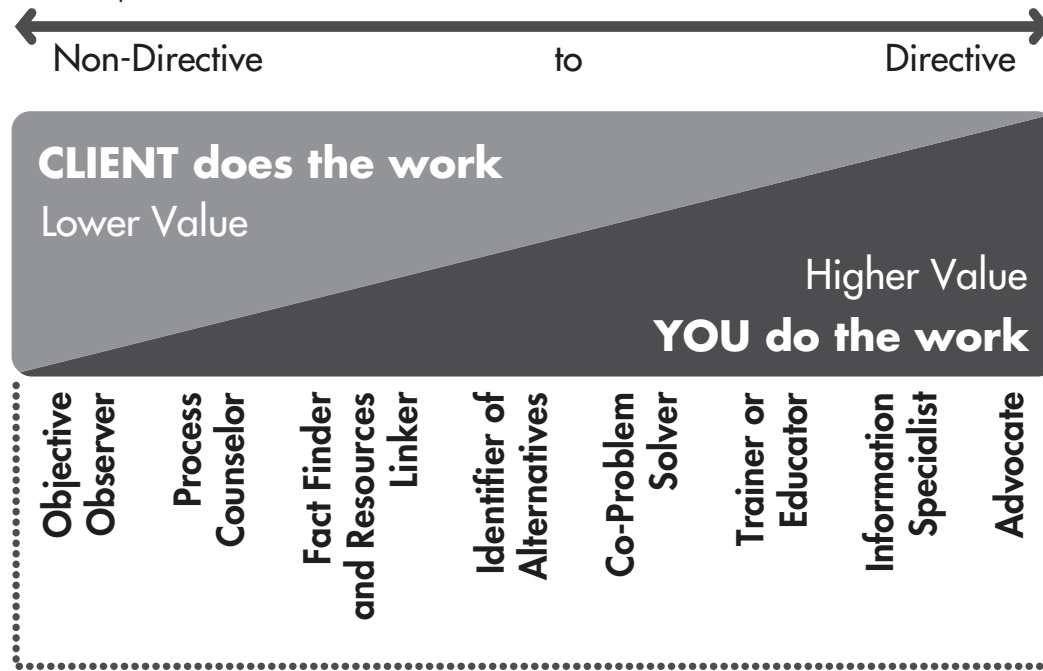
Example: Election Help

In every major election, serious candidates prefer to hire consultants to help them get elected. Some of these are experts in specialised areas such as media coverage, polling, or speech writing. Some consultants are versed in running overall aspects of a campaign. The specialist is task oriented and usually commands higher fees than the consultant who manages the process.

Role Spectrum 2

Figure 2-6 shows that your involvement in the change effort can run the gamut from the hands-off or non-directive role of observer all the way to the hands-on or directive role of advocate. In the observer role, your client does the bulk of the work. In the advocate role, you do most of the work.

Figure 2-6: From Objective Observer to Advocate



Change Agent's Possible Roles

Adapted from Gordon Lippitt and Ronald Lippitt, *The Consulting Process in Action*, 2nd Edition (1994).

As your involvement crosses the spectrum from less involvement in the improvements to directing the overall change, your role and time investment naturally increases. So does your perceived value to the client. Often you will be asked to serve the client in one capacity or role and over time the level of your involvement may increase or decrease. Box 2-4 identifies each role and the general responsibilities you will have in that role.

Box 2-4: Overview of Change Agent's Roles and Responsibilities

LESS DIRECTIVE ROLE	WHAT YOU DO	MORE DIRECTIVE ROLE	WHAT YOU DO
Objective Observer	Raise questions for reflection	Joint problem solver	Offer alternatives and participate in decisions
Process counsellor	Observe problem-solving process and raise issues mirroring feedback	Trainer or educator	Teach and shape new or updated skills
Fact finder and linker to resources	Gather data and stimulate thinking	Information specialist	Record, link, and provide policy or practice decisions
Identifier of alternatives	Identify alternatives and resources for the client and help assess the consequences	Advocate	Propose guidelines and persuade or direct the problem-solving process

Adapted from Gordon Lippitt and Ronald Lippitt, *The Consulting Process in Action*, 2nd Edition (1994).

The Spectrum of Your Change Agent Roles

As you can see, you have numerous choices of roles as a change agent. You will select the one that suits you best or that your client asks you to be. You do not need to be an expert in each one because you have resources, in the form of co-workers and colleagues, available to you. Remember, a change project is a team effort; you serve as the catalyst, instigator, and driver. Whenever you wear the hat of solution creator, keep the following advice in mind:

- Your initial goal is to uncover your organisation's pain.
- You treat each person as a client in order to maintain a professional approach to problem solving.
- Your professional demeanour helps find realistic and innovative solutions.
- Your professional demeanour aids in building a relationship of trust with those who rely on you.
- Your ultimate goal is to be considered an equal partner with the client because a partnership means that each party is invested in the relationship.
- Your ultimate payoff as the change agent is to become invaluable.

How to Select the Appropriate Role for You

Always remember that the person or organisation you are serving rarely knows what the source of their pain is because they are too close to the action to see things objectively. This is why you are needed. You have a divergent and broad skill set which means you can serve the client in numerous ways. As a change agent, you are trained to be objective and see things with a sceptical eye. An important task in the entry phase of any change project is to define the role you will play. The one you select in this beginning stage will depend upon

-
- the overall change project's objective.
 - your preference for task or process work.
 - your goals for the final deliverables or outcomes.
 - the scope of your work.
 - the nature of your relationship with the person you are working for.
 - the problems you encounter as you dig into the underlying issue.
 - your personal limitations and strengths.
 - what worked before for you in the past (that is, your experience with the problem).

As you proceed through the change or improvement work your role may shift, and frequently does.

Mind-Set Shift: I Will Set the Scope Early On

If you have ever discussed consulting with another professional, you probably covered the topic of scope creep. This phenomenon, the bane of inexperienced change agents, is a result of not gaining a full understanding of the problem, its causes, the obstacles, or over promising outcomes (and all of the above) in the beginning stages of consultation.

SCOPE OF WORK IN A CHANGE PROJECT

Scope Illustrated

In a change project you must decide at the outset how much of the problem you are willing to take on. The novice change agent wants to take on the challenge all at once, but this is a path to failure. No matter what problem you are trying to fix, it most likely has the following conditions:

- It is a deep problem
- It is a lingering or long-term problem
- Its causes are many
- Its affect is wide spread
- The people, processes, actions, and decisions that help create the problem also feed it
- Changing it will create immediate hardship and foster opposition
- The main problem creates other issues and challenges

So when you decide to tackle the problem, you will face the same challenge that a team of surgeons face when attempting to remove someone's rapidly spreading cancer. If they do not get it all, the cancer may return. This is why you must define the scope at the outset, so you can manage the change project carefully and wisely. What goes into defining or narrowing the scope of an attempt to improve something?

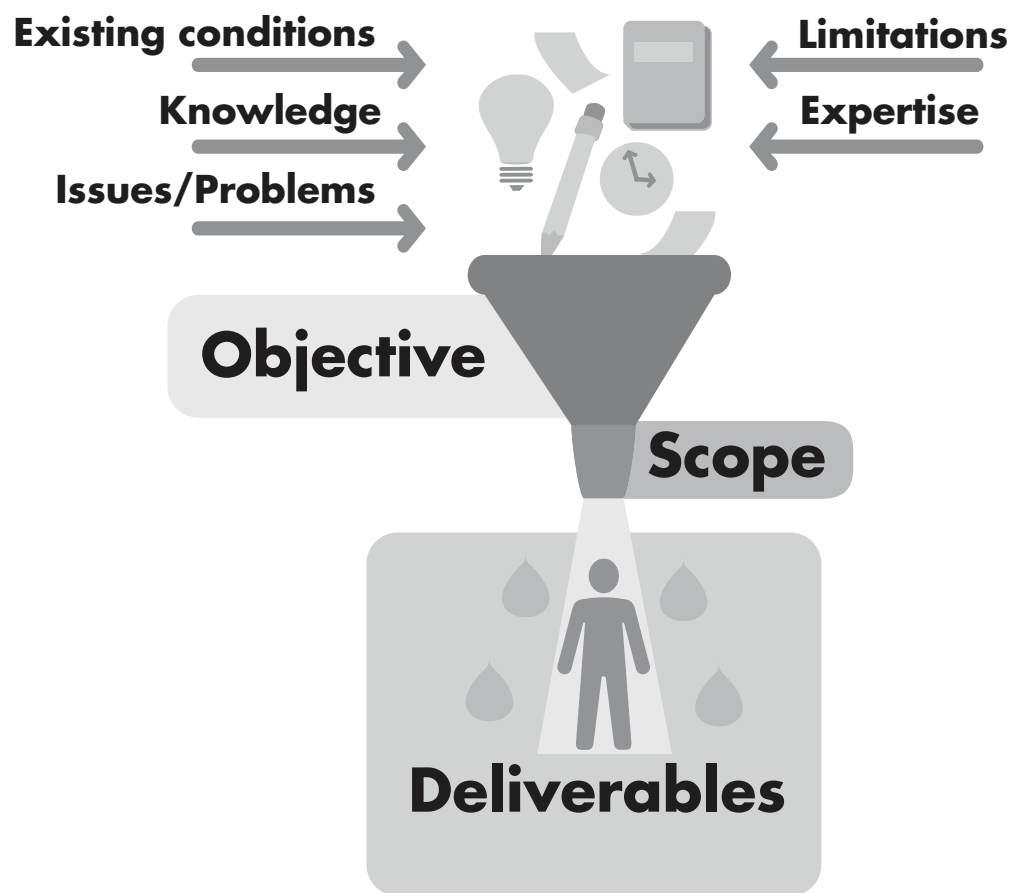
To answer that, I will introduce the concept of a narrowing funnel.

The Change Project's Scope

The entry stage in any change project is vital because an outcome of this stage will determine the scope of work. Because change is a continuum, eliminating the problem or implementing a solution will need to be approached on a continuum too.

To describe the factors (referred to as ingredients) that assist you and the client in deciding the scope of your effort to rid the client of pain, I created the narrowing funnel, as shown in figure 2-7. You use a funnel as a tool to make something broad or big fit into something smaller, like when you pour vinegar from a gallon jug into a wine cruet.

Figure 2-7: Scope of Work Narrowing Funnel



Before you and the client decide the project scope, you analyse and consider the key ingredients found in box 2-5.

Box 2-5: Scope Size Analysis Considerations

Knowledge About the Situation. This wisdom and understanding includes yours, your change team, the client's, and those involved in the change effort.

Existing Conditions. Like a photo, you are capturing the conditions and issues at a particular point in time. Some times are optimal and others are not when you attempt to introduce change or shifts. For example, you would not attempt to speed up the closing of your general ledger at fiscal year-end or when you are understaffed.

Expertise. This includes the abilities and talents of you, your change team, and the client's personnel. If an expertise is currently lacking, you may hold off tackling an aspect of the improvement until you have hired or found someone versed in that area.

Limitations. This not only includes the obvious resources of time and money, it also applies to the client's commitment along with the identified obstacles that could prevent the change from taking hold and rooting in.

Issues and Problems. The client often wants immediate action based upon how they perceive it, especially because they dwell on the pain. Once you start your investigation into the true causes, you might (a) end up stepping on toes, (b) raise concerns about sacred cows, or (c) find widespread concerns about your client's competency. If these contribute to the problem and you inform the client that he or she is the main cause of the problem, I guarantee the support and commitment that was promised will disappear. These conditions will be a factor into the scope of the change effort.

Project Objectives and Deliverables. You and your sponsor must reach an agreement on what you are attempting to accomplish through the change effort and the items or changes you will produce. You must also make sure you both define the outcomes and objective the same way. The client may ask you for the moon and you think he or she wants a photo, but he or she really wants you to build a space ship.

If you have ever been involved in an important project such as an audit, system conversion, relocation, merger, or divestiture (to name a few) you probably experienced the phenomenon known as scope creep. Even if you have not experienced it first hand, you know it exists. In other words, despite the best intentions in the project's planning phase, the scope of work grew and grew.

The good change agent needs to understand how scope creep sets in so that they can prevent it. Box 2-6 outlines the most common sources of and tips on how to avoid experiencing scope creep.

Box 2-6: Sources of Scope Creep and How To Avoid It

1. Using my far-fetched analogy of the client asking you for the moon, scope creep frequently occurs because the change agent said, 'I can deliver that' before ascertaining what *that* meant to the client.

(continued)

2. Scope creep also comes from your expertise. You might be so good at getting a certain result, like improving employee productivity, that the client praises you and asks if you can work your magic here and there. Aiming to please, you deliver on your promise, but when you ask for more resources, the client responds, 'I thought that was covered in the original budget'.
3. A third cause of scope creep develops when you become so enamoured or involved with the change work that you fail to stop at the agreed upon deliverables. This is more than just engaging in the common practice of under-promising and over-delivering. Imagine that as part of an improvement project, you promise to migrate all the existing spreadsheets into a more recent version of Excel™ and catalogue them. You also commit to streamlining one of the most complex spreadsheets all within a 24-hour window of time. You love doing this stuff and get so involved that you decide to streamline several more complex spreadsheets. When you account for the time invested, your client chastises you for spending 45 hours instead of the promised 24. Even though the client is better off as a result of your efforts, their opinion of you drops.
4. Another contributor to scope creep is miscommunication and forgetfulness. You think that you informed the client of the need for additional research, but did you? The client may have given a verbal approval to increase the scope of work but does not recall doing it. You sent an e-mail to the sponsor about the need for more budget money, but she claims to not have seen your request.

Follow these suggestions to prevent your change project from experiencing scope creep:

- Never make a commitment to a deliverable until you and the client agree on exactly what it looks like.
- Whenever the client asks you to expand on the work you are doing, hold off on starting that until you get an agreement on the increase in scope and a commitment of more resources.
- When budgeting your time on a change project, allow for wiggle room so that you can be flexible.
- Be clear on all your commitments.
- Never assume something, always check it out.
- Keep asking questions about what the client wants until you have a full and thorough understanding.
- As soon as the scope of work needs to change due to (a) an unknown problem, (b) the lack of cooperation, (c) an unexpected obstacle, or (d) another reason, make the client aware of the situation immediately. Provide the client with options on how to proceed.
- Keep a documentation trail throughout the project so that you can have the data at hand. This practice benefits you in other areas besides preventing scope creep.
- Plan out each step and activity while keeping the outcomes and deliverables in the forefront of your mind.

Being an Effective Problem Solver

If you are serving as the change agent, your primary responsibility is to make problems disappear, at least until new changes arrive. Whenever wearing the hat of solution creator, keep the following in mind:

-
- Your initial goal is to uncover the person’s pain.
 - Your ongoing objective is to build a strong relationship of trust.
 - You treat each person as a client in order to maintain a professional approach to problem solving.
 - Your professional demeanour helps him or her find realistic and innovative solutions for the client.
 - Your professional demeanour helps build a relationship of trust with those who rely on the accounting’s acumen and insight.
 - The change agent strives to be an equal partner with the others because a partnership means that each party is invested in the success of the relationship.
 - The people you help rarely know what the source of their pain is because they are too close to the action to see things objectively. This is where the change agent becomes invaluable.

Your most valuable tools for defining the scope and desired roles to affect the changes necessary are gap analyses (referenced in chapter 1, ‘The Mystery and Misunderstandings About Change’), probing questions, mind mapping, and problem restatement (referenced in chapter 3, ‘Focus Area #1—People’).

Mind-Set Shift: My Credibility Opens Doors

Credibility is important to the person tasked with initiating change because you need a reputation for integrity, and people listen when a credible person speaks. The benefit or payoff of being seen as having integrity is credibility. Your credibility is your most precious asset as a change agent. Your credibility is vital.

Change Agent Principles #11 and #12

A change agent must have credibility to be effective.

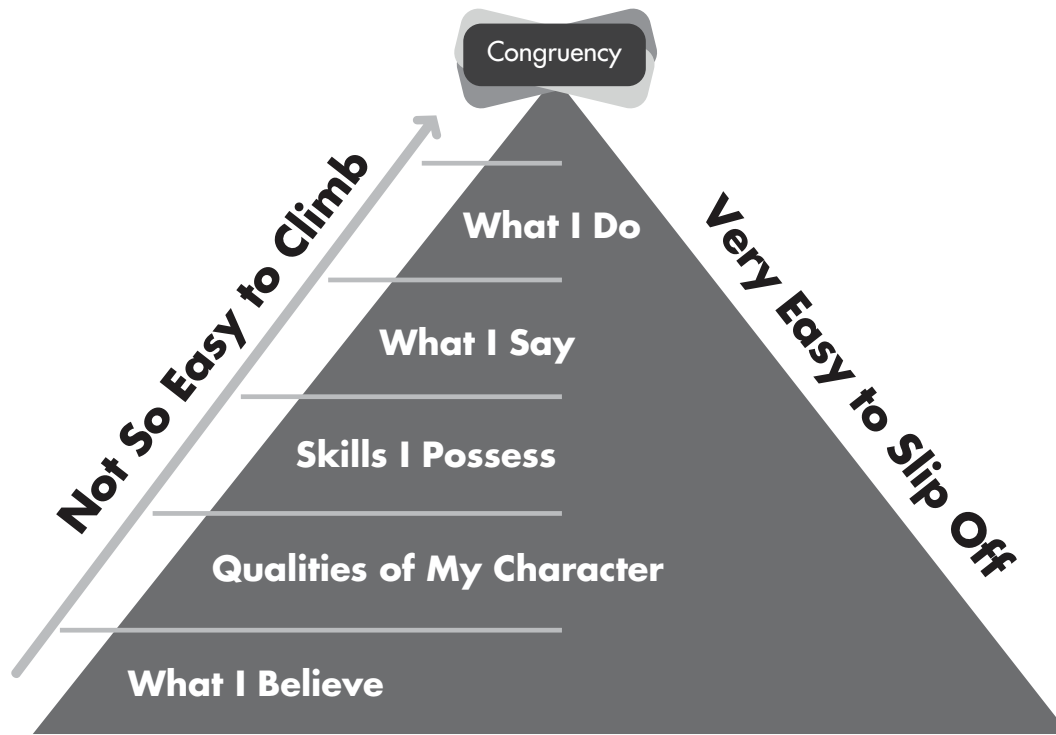
Credibility to a change agent is what a backstage pass is to a rock and roll fan.

Imagine you have a master key that opens any door that you choose. It would be an amazing experience and awesome responsibility. In a way you do have a master key. Working in the capacity of a change agent, your master key is your credibility. When you have credibility you are automatically trusted and others generally will believe in what you have to say.

A lack of credibility means more than not being trusted. Failing to have credibility means that you must constantly prove yourself to others. With credibility you are rarely tested on your knowledge, experience, and wisdom. When you see credibility as a master key, you must do everything you can to retain it. The designation of a change agent automatically gives you credibility, so treat it wisely.

Having a reputation of credibility takes a tremendous amount of work. Despite people assuming that change agents have integrity, it still requires time and work to demonstrate to others that we are credible. I believe building your credibility is like climbing a steep mountain, one in which we can easily slip down if we are not careful or attentive. As you can see in figure 2-8, having credibility requires congruency.

Figure 2-8: Credibility Mountain



You gain credibility from being believable. You gain credibility from having accomplished followers to implement the plan. You earn credibility from being consistent. You earn credibility by doing the work, whether the obligation comes from a sense of duty or danger.

Ways Professionals Harm Their Credibility

Each time I ask an audience of change agents how we harm our credibility, the three most common answers are (1) failure to tell the unvarnished truth, (2) mismanagement of information, and (3) not communicating well. Notice how each one is specific to your role as a trusted adviser.

These are the big three taboos that can destroy your reputation and credibility. Each behaviour demonstrates that you have slipped off the credibility mountain. Box 2-7 compares both aids and obstacles to staying on the credibility mountain.

Box 2-7: Credibility Tools and Pitfalls

HOW TO FALL OFF CREDIBILITY MOUNTAIN	HOW YOU STAY ON CREDIBILITY MOUNTAIN
<ul style="list-style-type: none"> • Failure to meet your commitment 	<ul style="list-style-type: none"> • Supporting others
<ul style="list-style-type: none"> • Over-promising and under-delivering 	<ul style="list-style-type: none"> • Encouraging others
<ul style="list-style-type: none"> • Accidentally or intentionally misleading someone 	<ul style="list-style-type: none"> • Challenging others and assumptions
<ul style="list-style-type: none"> • Providing an inferior product (when you are capable of providing a quality one) 	<ul style="list-style-type: none"> • Mentoring

HOW TO FALL OFF CREDIBILITY MOUNTAIN	HOW YOU STAY ON CREDIBILITY MOUNTAIN
• Failure to walk your talk	• Listening
• Failure to be accountable	• Following through
• Engaging in the blame game	• Empowering your people
• Employing double standards	• Walking your talk
• Failure to face up to a problem or address an issue	• Sharing your vision
• Using subterfuge in order to manipulate	• Creating opportunity for others
• Failing to disclose your true intention	• Admitting mistakes openly
• Failing to live up to any professed values	• Advising and counselling
• Spreading rumours and engaging in gossip	• Innovating solutions
• Demeaning someone, publicly or privately	• Celebrating others
• Misusing your leadership power	• Proving you are trustworthy
	• Being accountable
	• Holding others accountable
	• Being proactive
	• Being assertive
	• Telling the truth
	• Facing reality

Without credibility, no one will take you or your needs, wants, and desires seriously. But how can you assess the status of your own credibility? Credibility is one of the change agent's greatest assets; however, the cost is high because you must work hard and consistently for credibility. You always have access to these four keys for understanding your own credibility factor:

1. *Your character.* This is your personal DNA as it relates to you as a person and professional. Character is made up of how you act privately and publicly.
2. *Your competence.* You demonstrate to others that you are congruent through their observation of your competence. This is an ongoing and live demonstration.
3. *Your charisma.* This is defined as your persona or how you are perceived by those around you. This is the attraction or repulsion others feel in your presence.
4. *Your congruency.* Professional credibility comes from the congruence.

You cannot afford to have any gaps between the words you speak and how you behave (words versus actions); between the skills you claim to have and those you actually displayed (skills versus actions); between the principles you believe and the principles you choose to follow (beliefs versus actions); and between the values that you hold dear and how those values are applied to others (beliefs versus actions).

Mind-Set Shift: I Will Do My Best to be Trustworthy

Trust is important to the person tasked with instigating change because on the high road, you create your own karma: trust earns trust, honesty fosters honesty, and value rewards value. Additionally, trust is essential to building a relationship with those you lead.

Natural Law of Change #12

A high level of trust makes for easy transitions. A low level of trust makes for difficult and lengthy transitions.

TRUST TO A CHANGE AGENT

As a change agent leader, the outcomes you obtain when you are trusted are respect, honesty, commitment, engagement, and loyalty.

Trust is often broken when the person fears that his or her honesty will be used against him or her. A person who refuses to trust is not open to new inputs, ideas, or suggestions and he or she is closed off to possibilities. A person who is frustrated or unhappy will often create mistrust to achieve a negative result.

Never expect to be trusted just because you believe you are trustworthy. Trust is earned by example and is a fundamental requirement for making things happen. You cannot lead nor will you be followed if you are not trustworthy. Reciprocally, if you do not trust the people you are working with, it will be impossible for you to be the leader that the group needs.

Trust is the common denominator for all interactions within any group. Without trust the group will never truly be effective in carrying out its purpose or objective. Genuine caring and benevolence will inspire your co-workers' trust and foster innovative thinking. Trust abates your colleagues' fear, allowing them to be themselves.

Trust is an adopted state of mind, does not often come naturally, and is acquired or lost at different rates. The following are additional truths about what is required for trust to exist. For trust to exist between people it

- depends upon integrity and reliability.
- requires a commitment.
- requires honest mutual feedback.
- starts with confidence in the other person.
- relies upon open communication by both parties.
- is a product of the right chemistry.
- is a two-way street.

Good Working Relationships Depend on Trust

Trust travels along three paths: (1) trust in yourself, (2) trust in you, the change agent, and (3) trust within the group setting. Each one is crucial to your ability to lead others and instigate change.

Leadership is about relationships, and trust is the oil that keeps these relationships running smoothly while reducing the friction of constant interactions. However, the trust that you need to be effective is a two-way path with each person you lead. When people learn that you are firm, resolute, and committed in your responsibilities, you will gain their respect and earn their trust. Followers are more likely to trust you if they know you are compassionate and forgiving of their mistakes.

Path 1—Trusting in Yourself

To be an effective leader of change, you must trust in yourself. Self-trust is a combination of self-confidence and believing that you are doing the right things for the right reasons. The two components that affect self-trust are self-confidence and ego. Some accountants mistakenly believe that these two components are the same, but they are different, though there is some overlap.

Your Self Confidence

Self-assurance has to do with comfort in who you are and what you represent. If you are comfortable with your intentions and believe in them, you will carry an air of confidence that affects others.

There is a downside of self-confidence. People in any leadership capacity who send their followers to destruction (for example, Jim Jones, Hitler, and Stalin) were self-confident about their intentions. This is a reminder, again, as to why you must lead with a commitment to take the high road.

Your Ego

Ego is the second component. Ego can cause the bad leader to turn their self-confidence into negative results. A person's ego is easier to feel than to describe. Psychoanalysts like Sigmund Freud, Karl Abraham, and Melanie Klein and psychologists such as Carl Jung and Jane Loevinger have written extensively about ego. According to Freud:

[t]he ego is that part of the id which has been modified by the direct influence of the external world. The ego represents what may be called reason and common sense, in contrast to the id, which contains the passions in its relation to the id it is like a man on horseback, who has to hold in check the superior strength of the horse; with this difference, that the rider tries to do so with his own strength, while the ego uses borrowed forces.

Everyone has an ego and it represents pride. People have a range of pride that can range anywhere from poor to exaggerated. Pride changes over time and is impacted by events as well as the subject. A professional through time and experience develops pride in their abilities to lead others, set the tone, and make things happen.

There is a downside of ego. People with an exaggerated sense of pride can cross the line and begin to believe they are infallible and perfect. Professionals and leaders who suffer from this can be described as (1) someone who acts as a prima donna, (2) someone who believes their own press, and (3) someone above the rules that everyone else must follow.

The line gets crossed when the ego-driven professional begins to think and act like the rules for normal people do not apply. Former chief executive Dennis Kozlowski saw it was his right to take company money to gild his personal residence. Former CFO Andrew Fastow believed the success of Enron's business model was more important than the rules of revenue recognition.

Path 2—Trusting the Change Agent

Can you imagine working with someone on a daily basis whom you do not trust?

It would be almost impossible to work cooperatively. Any interactions would be fraught with pitfalls and tension. When trust is lacking, you lack the ability to execute on your goals and priorities. When trust exists there are clear outcomes, such as people respecting one another, people striving to have integrity, existence of openness, and honesty. Transparency can exist and thrive. If trust is lacking, you will have a difficult time believing anything the other party says or does.

Trusting your colleagues means that both of you can spend more time focusing on priorities. Everyone is more productive and you have more time, time that was previously spent checking, verifying, and refereeing.

When you prove you are trustworthy, you benefit with credibility. Lack of credibility impairs your ability to lead and get things done through others because you need something from them (namely cooperation, commitment, and loyalty).

Example: Untrustworthy Words

When you say 'trust me on this', you are trying to convince me with words alone of your trustworthiness. When you say 'let me be honest for a moment', you are trying to convince me without proof.

People prefer working with people who are honest, trustworthy, and have integrity. People want to work for a person they know and like, feel comfortable with, and trust.

Trust in you is all about what you do and not about what you say. As a person improving things you cannot expect to be trusted because you believe you are trustworthy. You must demonstrate to everyone that you can be trusted in the small things you do. A person who proves to be trustworthy

- is oriented towards partnering.
- is caring.
- is courteous.
- meets commitments.
- is focused on the other person.
- listens carefully and attentively.
- is kind.
- is never blaming.
- is not boastful.
- is open-minded.
- is patient.
- puts others first.
- is thankful and grateful.
- thinks before speaking.
- is thoughtful and objective.

These specific actions will help convince others that they can place their trust in you, provided you are consistent and sincere. To be viewed as trustworthy, in addition to adopting the behaviours previously mentioned, you must adopt an attitude of success, keep your energy and words positive, know your colleagues, stand up for your beliefs, speak with passion, and lead by example.

Path 3—Mutual Trust in a Group Setting

Most likely you will be part of a change team where members must interact in ways that build trust and co-ordinate behaviours. If your fellow participants know they generally have easy access to you, they will tend to view you as trustworthy. Trust and co-ordination are related to the depth and quality of the team's ability to communicate.

Communication (Depth and Quality) = Trust and Co-Ordination

If you want or need high-quality communication within the team, you need to work on both building trust amongst team members and fostering the creation of a process for co-ordinating your individual activities and contributions. If co-ordination is good but the trust is missing, you will fail to have meaningful communications. If the trust is in place but you lack a reliable process for handing off responsibilities, the depth of critical information will be lacking. In a group that trusts each other, conflict does no harm because everyone's focus is on getting things done. Conflict is valuable and healthy when it brings about deeper relationships and new ideas. It is damaging and unhealthy when it leads to anger, mistrust, and withdrawal.

In groups, disruptive people use mistrust to hide their own inadequacy. The leader can spot this immediately. The first evidence of mistrust is when people speak in an us versus them manner. The leaders' role is to remind everyone that there is no them, only us.

In team-oriented work, trust is fundamental. An empowered team cannot fulfil its potential until each person can be trusted to follow through on their individual commitments. They will not trust you until you demonstrate that you will support them.

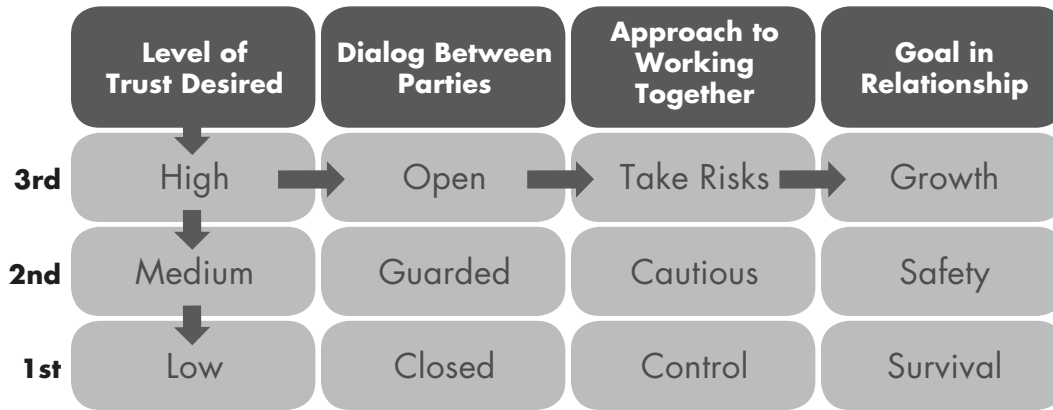
Once you infuse trust into the team setting, you must not violate that trust. You can plant the seeds of trust by helping the team develop operating ground rules that regulate how you and the team interact. Giving team members a chance to prove themselves demonstrates your trust in them. Rising up to meet those challenges strengthens their trust in each other, as well as their self-confidence. Finally, your actions communicate your trust, or lack of it, more than your words.

A true change agent builds trust in everything they do. Trust is vital to your success because you cannot force someone to trust you nor can you claim yourself to be trustworthy without proving it in your actions. We close this section by correcting a major misunderstanding about trust between people who do not know each other well.

Multiple Levels of Trust

Between people who interact regularly, there are different levels of trust. When you meet someone for the first time, unless you have some knowledge, background, or history with this person, you will approach a possible relationship at the middle level of guarded trust. The three levels are shown in figure 2-9 and based upon research and analysis conducted by Virginia LaGrossa and Suzanne Saxe. I adapted this depiction for the internal change agent to use.

Figure 2-9: Levels of Trust Between People



From Virginia LaGrossa and Suzanne Saxe. *The Consultative Approach: Partnering for Results!* Pfeiffer (1998).

Medium Level Trust

In this medium state, you are somewhat guarded in your approach. You hesitate to take big risks because you cannot predict the outcome. Your frame of reference is safety, until you feel you can take the relationship to the next level or a sense of mistrust grows.

Example: The New Employee

When an employee is hired to work on a change project with you, you reserve judgement about how much you can trust him with access to the high security classified information until you have observed and worked with him for a while.

If the person appears to you to be trustworthy and you have a reason to work together, you will attempt to reach the highest level of trust.

High-Level Trust

At this maximum level of trust, where the dialogue is open, you can say whatever needs to be said, because you both are mutually committed to the relationship.

Example: History With the Employee

Over the last three years you have worked successfully with a colleague and over this time you both have grown to trust each other. You know implicitly she will be a valuable asset to your change project.

If you feel that you cannot fully trust the other party, either by something that you observe or perceive, you will move to the lowest level of trust. We naturally assume that in this situation we would go to mistrust, but you are not ready to abandon the relationship (maybe because you have no history or reason to mistrust the individual). In addition, you need to work together to get what you want.

Low-Level Trust

The step above mistrust is a low level of trust. You are very guarded. In fact, you may at times close down. You are trying to control the situation because you have a need to get a specific outcome and you want the fragile relationship to hold until you get it.

Example: The Uncooperative Colleague

As part of your change project you must rely on an employee who is disagreeable and begrudgingly cooperates, yet you need his assistance in understanding how the work is being done. You must continue to work with him. In all your interactions you are cautious, document everything, and verify what he says.

Mind-Set Shift: I Can Make the Pain Go Away

To me, one of the three most important things to remember about becoming an effective change agent is that in every lingering problem, ranging from a lack of profits, poor productivity, inefficient processes, to disengaged employees, there are clear indicators of the problem's existence.

In each of these situations, someone is feeling pain and wishes someone would make it go away. The pain could be tangible and measurable, such as losses and an empty bank account, or the pain could be intangible and sensed, like employee unhappiness or a lack of direction. Often the pain that is felt is the tip of the iceberg and under the immediate pain is injury and damage that is yet to be felt.

Change Agent Principles #13 and #14

People naturally or habitually go for expediency rather than objectivity.

Expediency does not work to uncover the truth or overcome resistance and fear.

Probing questions are critical in the entry phase of the consulting project. **Tool #3: Probing Questions** provides guidance on how to use probing questions to uncover the sources of pain in your business. This vital change agent tool can be found in the downloadable content that accompanies this book. To demonstrate how this tool applies, you can understand its use by reading the case study. In our next case, notice the various ways that asking the right probing questions helped Tony to face an issue that could have gotten worse.

Case Study of Structured Probing Questions—Tony

Recall our fictitious case study characters Linda and Tony. Tony uses probing questions to reach members of his team and change their mind-set.

Meeting With the Younger Employees

I knew that Tony was not versed on how to ask the right sort of questions. To help him experience the power of probing questions, I decided to use them on him to gain an understanding of why he was reluctant to engage his new employees in a conversation about their needs.

Use of Probing Questions

'To demonstrate how probing questions work I will use them on you. Do I sense an apprehension about talking to the younger team members?' Tony nodded in the affirmative. 'Don't worry. This process is painless. My questions are designed to take the focus off of you and onto suggestions that can turn into solutions. Are you ready?' He nodded.

These are the questions I asked Tony. I have omitted his answers because I want you to concentrate on the form and pay close attention to where I am leading you with the questions.

- What is your opinion of the employees who are under the age of 25?
- Why is it important that everyone on the team feel a connection to one another?
- What can happen if anyone feels disconnected?
- What can happen if employees form into several cliques?
- What do you want out of your job, other than a pay check?
- Why is self-satisfaction important to you?
- What can happen if even a few members of your team do not obtain that sense of accomplishment that comes with self-satisfaction?
- What do you believe needs to be in a job for an employee of any age to feel included, engaged, and have a sense of purpose?
- Why is it important to understand what helps people under the age of 25 obtain self-satisfaction from their job?
- What would it take for members of the team, who are not in that age bracket, to understand the needs of those under the age of 25?

'What did those questions do for you, Tony'?

He responded, 'They really sparked my thinking. You were right to assume that I was afraid of the newer employees and that hit me with your first few questions. Then you got me into a rational mind-set by putting myself into their situation. Based on what you told me about generation Y and the questions you asked, I see now there is really not much difference. Any gap has to do with the how and not the why. I feel much more at ease'.

Next we developed a list of potential probing questions that he would ask the new members of his team to determine what they wanted. To help him understand why he needed to bridge this gap in expectations, I told him a few stories from my experiences.

During Tony's meeting, which he had invited me to attend, I recorded the employees' responses to Tony's questions. I omitted the names to protect anonymity. Tony did an excellent job of digging deep and listening to their responses before asking the next probing question.

Here is a list of the questions Tony asked along with typical responses.

Q. What does work-life balance mean to you?

A. This means that I have enough time, energy, and bandwidth to devote to both.

Q. What brings you the most pleasure from your job?

A. A sense of purpose and belonging. Having fun. Working with friends.

- Q. What brings you the least pleasure?
A. People who are uncool or have a bad attitude (vibe). Places that are work, work, work. Not having access to the latest technology or a place that has it but says, 'Don't touch!'
- Q. At the end of the work day, how do you want to feel?
A. Still have enough energy left over to do something like skiing, running, playing with my kids, or volunteer work.
- Q. At the end of the work day, how do you not want to feel?
A. Tired, bored, feeling like my time and ideas are being wasted.
- Q. If you had a job that paid poorly, under what conditions would you stay?
A. If I was working with cool people, cool technology, or a place that really needed my talents I would stay. I can always find other ways to make money.
- Q. If you had a job that paid very well but you didn't feel challenged, under what conditions would you stay?
A. No amount of money is worth feeling bored. A job where I could be myself. A place with a relaxed atmosphere or a flexible schedule.
- Q. When you need advice on how to do something, where do you typically turn?
A. I ask my friends first and then I Google it. I look for how-to videos on YouTube. I always look at Wikipedia.
- Q. Why do you use Wikipedia, Google, Ask.com, and YouTube instead of asking a co-worker?
A. The graphics. The instant answers. The links to other information. The recommendation of others.
- Q. In what situations is it not wise to rely on the Internet for information?
A. When I am using someone else's money. When the advice conflicts with something I know. When it looks like a scam.
- Q. If you had 15 years of experience in something, how would you feel if no one asked for your opinion and advice?
A. I would feel that I didn't have value and those 15 years were wasted. I would feel like my time is up and I need to move onto something else. I would wonder, 'what is wrong with them?'
- Q. When someone you admire gives you advice, what do you do with it?
A. I take it to heart. I tell others about it. I confirm that advice with someone.

At our debriefing, after the meeting with the new employees, Tony said, 'I gathered valuable information today, which I can now turn into action steps on my ongoing improvement plan. I also learned that they do not have an entitlement mentality and money is not as important to them as it is to us older employees'. He also felt that his whole team should get information on the needs of generations X, Y, and Z.

Change Agent Principles #15–18

When people cannot see the direct connection between their job activities and their employer's purpose, it is extremely hard for them to envision improvements.

When people can see the connections of a transformation to their daily duties, you will obtain faster buy-in and experience less resistance.

As a change agent, part of your job is to help your co-workers and peers see how the work they perform impacts the organisation's goals and priorities.

Mind mapping helps people to see the connection among the intention of change and their individual role in it.

Tool #4: Mind Mapping shows, and as you will see in the example through a case study, the mind map clearly shows the connection for someone. It is one of your best tools for helping others to connect the dots between their decision and its impact on the issue or problem being covered. Once people see the connection then they will be more willing to join in the effort to shift and improve. This vital change agent tool can be found in the downloadable content that accompanies this book. To demonstrate how this tool applies, you can understand its use by reading the following case study with Linda.

The mind map tool assisted Linda to develop a viable plan on an issue of the utmost urgency.

Case Study of a Transformational Mind Map—Linda

Recall our fictitious case study characters Linda and Tony. Linda realises she needs to get rid of a bad apple board member quickly and creates a plan using the mind map tool.

Linda's Painful Heel

As I walked to my car, I received a frantic message from Linda wanting to meet right away. Within an hour I was in Linda's office. She explained, 'We have a board member who is annoying and problematic. But now there is evidence that he has become a dangerous problem. Mr. Young is a personal friend and drinking buddy of Wilbur and their friendship led to Mr. Young's nomination to the board back in 2005. When we terminated Wilbur, Mr. Young abstained, and I could tell that his sympathies were with his buddy. Each time I meet with the board to inform them of changes we are implementing, Mr. Young has been extremely vocal about not supporting them even though they benefit the organisation.

'He is the owner of a local real estate agency. He seems to hold the opinion that women are inferior and only exist to serve wealthy men like him. After Wilbur's dismissal, Mr. Young has been spending more time in our offices, putting his nose in areas that he doesn't need to be involved with. Several employees have complained just in the last two months that he has been demeaning to them, even bordering on abusive. I don't need to tell you these behaviours are only directed at female employees. Nothing overt, just subtle behaviours when no one else is around. His humour, if you call it that, involves embarrassing others.

'I suspect that I am the butt of his jokes and he is probably keeping Wilbur informed on what's been going on here. Employees see them together often at a downtown pub. I had hoped that by ignoring him, he would get bored and lose interest.

'But then something terrible happened! Yesterday, Mr. Young accompanied LaDonna, one of our sales employees, to lunch. She took over Mr. Young's account earlier this year. LaDonna has worked closely with the agents at his firm and as a result they have been funnelling a lot of mortgage applications to us. She wanted to thank him for his business by treating him to lunch.

'While they were dining, he spent most of the time disparaging me. Then he said to her, "Darling, you should quit working for the [explicative] and come work for me. I'll take better care of you". She played it cool even though she felt uncomfortable. Then he said, according to LaDonna, "There are two ways you can thank me for the business we send your way. I like cash, \$10,000 will be thanks enough". She said he looked smug when he said it. Then he grabbed LaDonna's left hand, which was lying on the table. He caressed it, toyed with her wedding ring, and whispered, "Or you could thank me another way".

'LaDonna was horrified. She said she wanted to slap the leer off his face. Luckily, her phone rang just then. She took the call and then told Young that she had to leave immediately because one of her children was hurt. She left him to pick up the check, even though she had planned on paying.

'Right away, LaDonna came into my office in tears, and told me what happened. I took notes and asked her to record her memory of the incident. I have the tape here. I sent her home and suggested that she take today off. I then called Mrs. Kingman, who is currently the chairman of our board. She rushed over and I explained to her what happened. We talked for over two hours and I played the tape for her.

'Ron, I cannot convey how upset LaDonna is. She is now between a rock and hard place because his firm is a good referral partner and he is a member of our board. Yet he is also a pervert who suggested or hinted that she should do something illegal and immoral.

'Mrs. Kingman is as horrified as I am. We know we need to do something about this but because of the business relationship we have with him, we need to handle this with some diplomacy for the time being. This morning I met with our legal counsel and gave her a copy of the tape and my notes.

'You know that I believe in total honesty and forthrightness, but I think we need to handle this in ways that will prevent a "he said, she said" battle from erupting. And of course we need to show LaDonna that we support her. Do you have any suggestions? I am going to let our attorney handle the legal aspects of this bad situation, but I am looking for some ideas on how I can just get him off the board quickly and disguise it as a business decision'.

The whole time I sat there stunned as she described the situation. My heart ached for what LaDonna and Linda were going through.

I asked Linda some questions about what Mr. Young did on the board and his relationship with current employees and members of the board. I then said, 'I agree that you need to deal with the legal aspect of this, to decide if you should file a suit or a complaint against him, and I think that you started the proper documentation trail. If you have not thought of this yet, I suggest that you have LaDonna meet with your legal counsel as soon as possible so she can tell her side of the story'.

'It is scheduled for tomorrow'.

'Good', I replied. 'Let's discuss how you can quickly remove Mr. Young from the board. According to what you told me before today he has been demanding that you reduce overhead costs more than you have already. You also told me that a large board is both unwieldy and that communication with them and among them needs improvement. Those problems are your doorway'. I paused so she could follow my logic. 'One way to quickly solve both problems is to downsize the board. By doing this you streamline both communication and reduce costs. How many are on your board right now and what is each member's status?'

Linda replied, 'We have seven on the board. Mrs. Kingman is number one and she owns about 30 per cent of the company. Mr. Young is number two. One slot is currently vacant. There are four more individuals who own the rest of the stock. Last month, two of those four announced that they would like to retire from the board. Mr. Young is the newest member of the board and he also is the only member who lacks training and experience in governance. He has no specific role on the board. I believe Wilbur put him there to rubber stamp his plans'.

'Well, based on those numbers, you could develop a proposal to reduce the board from seven members to four and then he would be the odd man out because he has the least tenure. Does he own any stock in the company?' A plan was starting to develop in my imagination.

'No, he does not. He banks the \$85,000 a year director fee and the \$15,000 for out-of-pocket expenses we pay just to show up to the six meetings that we have each year. So, we could save \$300,000 immediately with a smaller board'.

I stood up. 'I suggest we leave this building because we need to cover some confidential information and walls have ears. Also, it will be best if we don't get interrupted. Can you find us a place nearby where I can use a mind map tool to help you come up with your plan?'

I could see for the first time that Linda's tension was beginning to ease; her shoulders had dropped several inches.

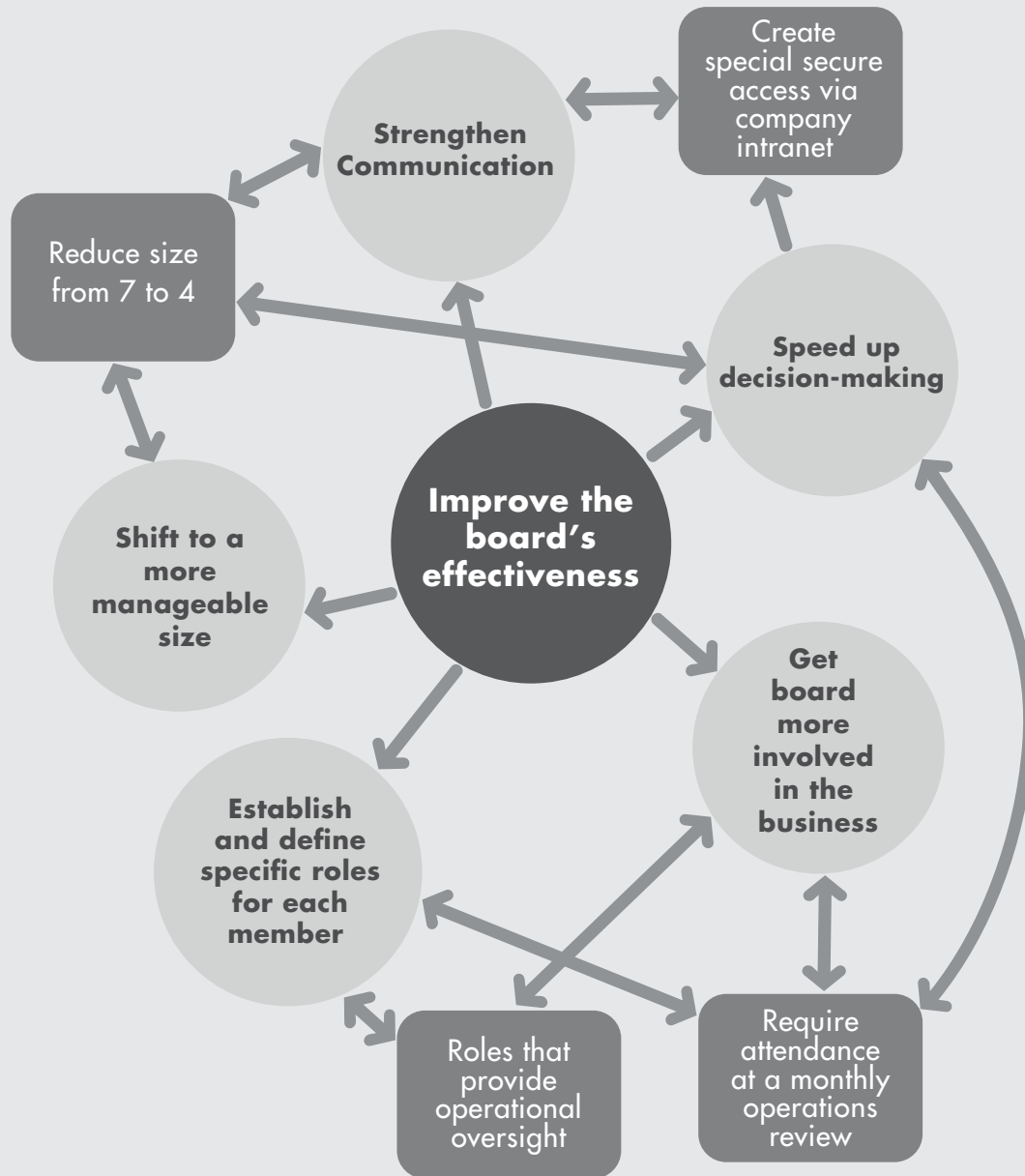
Once we were situated in an offsite conference room, I asked Linda, 'What is your overall goal?'

Linda wanted to write 'get rid of Mr. Young' but I suggested that this was really her opportunity to improve the board's effectiveness. I wrote that in the centre of the room's whiteboard.

Use of a Mind Map

The mind map is a valuable tool for coming up with both global and tactical plans very quickly. As you can see in the following figure, this is the plan we developed after spending a couple of hours together.

Linda's Mind Map



The next day, Linda met with Mrs. Kingman and showed her the plan. Mrs. Kingman thought it was a bold idea to reduce the size of the board. 'It is long overdue', is what she told Linda. They also discussed the specific roles that members of the board would need to fill in order to assist the company in moving forward. Mrs. Kingman agreed that having members serve without specific roles was not helping the organisation's governance needs. Linda later reported back to me that Mrs. Kingman also told her, 'He (Mr. Young) has been a negative influence on the board ever since he joined, but Wilbur protected him. Removing him from the board will make us more effective and it would be my pleasure to do it'.

Later that week, Mrs. Kingman called a special meeting of the board of directors, excluding Mr. Young, where she informed them of Mr. Young's questionable behaviour with a valued employee. At that session, Linda presented her streamlined board proposal. She received unanimous support for it. Mrs. Kingman said she would be the one to diplomatically inform Mr. Young of the change that would be put into effect immediately.

I cannot comment on the harassment and bribery aspect, but I can tell you that Linda found a way for LaDonna to be assigned a different referral partner so that any impact (regarding a legal claim against Mr. Young) would not in any way affect her livelihood or harm her reputation. Linda said that LaDonna was extremely grateful and appreciative. She felt the company had her back by believing her and taking quick action.

When it comes to removing the status quo, the masters of change such as Linda and Tony, face it proactively and directly with the intention of making lemonade from the many lemons. Now that you recognise why you need to be an effective change agent, you can shift your mind-set. Your new attitude is as follows: You know how to produce results, you have your own problem solving methodology and change protocol, you know how to challenge prevailing assumptions, you select the right role, and you think about possibilities. You now know how to stop relying on bandages and lead the change effort.

These mental shifts pay off like they did for Tony, who now knows how to adapt his team to the next generation of workers. It pays off for Linda as she rebuilds her team with executives who are dependable and solve problems, rather than create them. Unless you are willing to shift to a change agent mode, you might end up like the Beavis I met—clueless and out of touch.

Endnotes

1 Tom Peters, 'The Brand Called You'. *Fast Company Magazine*. August 1997. www.fastcompany.com/28905/brand-called-you.

2 Gordon Lippitt and Ronald Lippitt, *The Consulting Process in Action*, 2nd Edition (1994).

3 Virginia LaGrossa and Suzanne Saxe. *The Consultative Approach: Partnering for Results!* Pfeiffer (1998).



3

FOCUS AREA #1—PEOPLE

If people do not voluntarily shift their behaviour, any change will be extremely long and painful.

THE IMPASSE

I was sitting in the conference room with the engagement partner, Travis; the manager, Larry; and the staff member, Margaret. We were discussing the engagement and how to handle a complex accounting issue. Larry gave a long-winded statement about how he would handle the challenge and Travis immediately took offence. For the next few minutes, Travis expounded loudly on how he would handle it. Reading their individual body language, I could tell Larry was mentally repudiating Travis's ideas, and Travis was closed off to Larry's ideas.

I felt very awkward and embarrassed as I sat there listening to them argue.

At that stage in my career I was easily intimidated, so I sat there motionless. Margaret was a recent hire and knew enough to be silent. As their debate continued past the 30-minute mark, I tuned back in and paid more attention. I closed my eyes and listened carefully. After a few more minutes, I realised Travis and Larry were arguing over different issues, yet arriving at the same conclusion from different directions.

Because neither was listening to the other, they failed to realise this. Each was stuck on his point of view and this blinded them to the fact that they agreed.

This was one of many incidents that led me to a career as a professional change agent and facilitator. Every day people waste millions of dollars because they do not know how to prevent an impasse like the one I described. As a facilitator, my role is to get people to find common ground on any issue, and I do that in ways that I am sharing with you.

That day we wasted about \$2,000 of the client's money on a futile debate just because two talented CPAs could not get past their egos. For the next three weeks the two men refused to talk to each other.

As I think back on the incident, I see it through a version of a MasterCard commercial—Pointless argument: \$2,000. Professional relationships: Irreparably damaged. Insight: Priceless.

WHERE THE HEART GOES, THE BODY WILL FOLLOW

Natural Law of Change #13

Change involving people is not predictable, nor does it follow a set formula or path. This is known as the human factor of change management.

‘Where the heart goes, the mind will follow’, sounds like a medical concept, but is actually a fundamental truth that underscores Natural Law of Change #13. As you attempt to induce people to change their behaviours and work efforts, the best place to start is with their collective hearts. When an employee gets emotionally charged—enrolled and engaged—in a new direction, he or she will willingly embrace the change. This chapter explains how you go about getting people’s hearts into the necessary change.

First you need to understand how people’s hearts and brains are wired and you can gain this understanding by looking into a proverbial mirror to gain insight into how you emotionally deal with change. Let’s get your hands dirty as we examine the human factor.

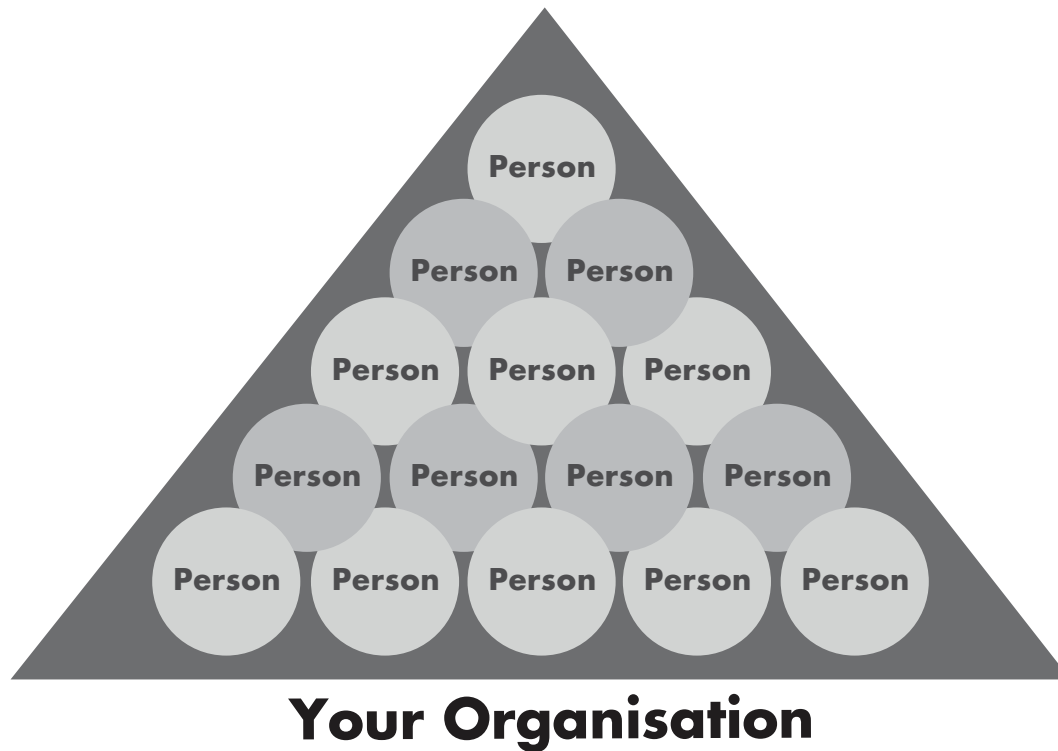
Why People Are Your First Focal Area

Leaders can make the best plans for a transformation, but if they neglect the human factor, initiating change can result in anger, resistance, and reluctance, all of which divert time, attention, and energy away from the positive intention of any proposed change plan.

Why must behavioural change be addressed in every organisational change?

In figure 3-1 you will see the traditional pyramid that connotes an organisation; let’s assume that it is yours. If you want to introduce change to this system, you must have all its main components accept the change first. Even if you have a matrix organisational structure it is still built around and filled with people. An organisation is a people system first, so change will always affect its employees first. It will also be your most difficult obstacle.

Figure 3-1: Organisation is a People System



You Must Overcome Your Internal Inertia

Right about now, you are thinking, 'But, I am not a people person'!

Meet Jack and Jill, two change agents with years of experience. They represent typical accountants.

If you had the ability to see into the minds of Jack and Jill, you will find that they are intimidated when dealing with angry, upset people. They become paralysed when their boss, colleague, or employee gets vocally abusive. If a stranger on the street begins to berate them for some imaginary transgression, Jack and Jill will walk away quickly. At a party, if two of their friends get into a war of words, Jack and Jill would not intercede but would instead leave them alone to work it out. Why is that? People like Jack and Jill say, 'I am not a people person. I cannot deal with that, nor do I want to'.

Let us re-examine this faulty assumption in case you ever thought this way. The statement 'I am not a people person' implies the following:

- I prefer calm relationships.
- I get nervous in tense situations.
- I find people problems harder to solve than technical or financial ones.
- I do not have experience dealing with the human factor.

I estimate that between 40 to 60 per cent of business professionals believe they do not handle relationship challenges well. Employees in jobs and professions such as legal, engineering, programming, and construction are generally uncomfortable with the human factor. Notice that these professionals share one of two characteristics: (1) the problems they face are often complex and technical in nature, or (2) their job requires both technical training and competence to succeed.

On the other hand, people who have a job in sales, nursing, education, and hospitality often define themselves as adept at people challenges.

Yet, in the first list you will find skilled professionals and technicians who feel comfortable dealing with the human factor. Likewise, you will find people on the second list who prefer to work on technical problems instead of people problems.

As a change agent, it is necessary to confidently deal with people problems even if you prefer technical ones. To be successful you must be willing to shed your assumption that 'I am not a people person'. You start by understanding human nature.

Keys to Understanding the Human Factor (and Overcoming Inertia)

Natural Law of Change #14

People can change under the right conditions.

People are willing to change when presented with a valid reason. When attempting to introduce a shift or a transformation to a group of people, forcing them to change causes more problems than it solves. I have identified seven drivers (box 3-1) that affect the human factor and will help to increase your comfort level when dealing with the human side of change.

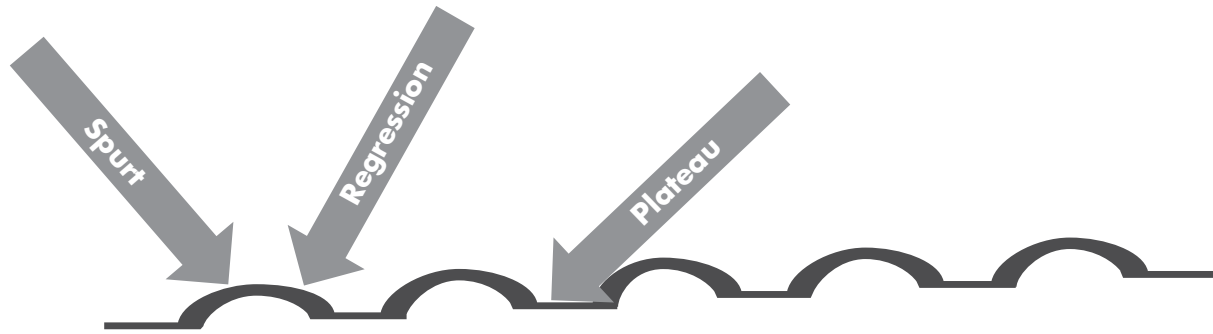
Box 3-1: Key Human Factor Drivers

1. *Costs and Benefits.* In this phenomenon, people will be willing to shift only when they see a personal benefit to changing. As a change agent, you must adopt the habit of defining the benefits of any proposed change. When facing a change, people will naturally fixate on the cost or what they must give up instead of the benefits, even when the positives are evident.
2. *Incentives.* When there is an incentive in front of them, a person is willing to alter their behaviour to achieve it. This phenomenon works for and against the change agent. Although you may be placing a carrot in front of employees to improve the quality of their work, there could be another incentive for the employees to continue doing poor quality work that you are not aware of. Incentives drive behaviours, both benefitting and deterring the change taking place.
3. *Pain.* People will shift when the pain of something becomes too intense. In this phenomenon, a person will change what they are doing in order to avoid pain.

4. *Force*. You can always get a person to behave differently using force, pressure, threats, or coercion. The person will alter his or her behaviour but it is only a temporary improvement. In this phenomenon the more an individual is pushed, the harder he or she will push back. Your employee may work longer hours because you threatened to fire him, but this employee will continue to resist. Very likely the employee will exact revenge as a way to fight against your pressure. You have not truly shifted the person's mind-set; you have only gotten compliance with new behaviours for a limited length of time.
5. *Expectations*. People will alter what they do and how they do it when they realise there is an expectation for them to do so. Parents use this phenomenon with their children by announcing the expectation and then providing constant reminders of this expectation. They provide incentives for the new behaviour and occasionally provide a penalty when the child is unwilling to live up to the expectations to change.
6. *Time*. The human mind needs time to adapt to a change. Where the mind goes, the body will follow. Experienced change agents understand this phenomenon and use it to get people to mentally adjust to the shift or transformation long before the actual change takes place. A good leader will announce a major shift in the culture many months before the shift takes place. A poor leader will allow rumours of pending layoffs to go unaddressed, hoping that the falsehood will go away. What the leader fails to realise is that the employees are already mentally shifting and adapting their behaviours to adjust for this change by (a) updating resumes, (b) stealing assets, (c) undermining employees who they hope will be laid off, or (d) protecting their turf.
7. *Incremental Change*. Observe the transformational changes, but pay close attention to the incremental (day-to-day) changes. The reason relates to how people change.

Behaviour improvement takes time. Think about how long it takes to get rid of a bad habit or adopt a new one. Despite this, we have a tendency to expect immediate and dramatic changes, even though it rarely happens. What the high road change agent looks for are small, incremental shifts toward the new behaviour. Along the way, the group will regress. This is when recognition and reinforcement for the improved behaviour are most important. The path to behaviour shifts looks like figure 3-2.

Figure 3-2: Behaviour Change Pattern



Expect Growth spurts. The change starts with energy, resulting in a growth spurt. Then fear kicks in and the person regresses a bit.

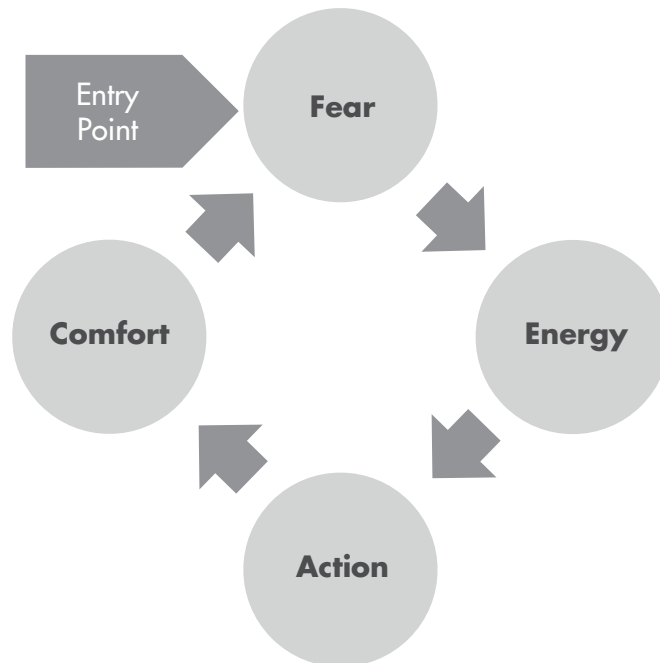
Expect Regression. You will regress when you attempt to try something new, such as adopting a different behaviour pattern. This regression has its basis in fear. Even if the fear is unexpressed, it exists in the process of change. The key to getting yourself and others past this stopping point that leads to regression is taking action or moving forward.

The good news is that fear always creates energy. Your goal is to use that energy to start yourself down a different path and action. A positive action will create a new comfort zone, and the new behaviour is no longer intimidating. If the fear is still there, further action creates the momentum for further shifting.

Expect Plateaus. As long as the regression leads to a behaviour that is superior to the previous one, you know you are winning and the change is taking hold. The plateau is the space and time when the employee is adjusting and practising while regretting and worrying about what is going on. If the employee displays worse behaviours than before the growth spurt, as a change agent, you need to introduce more intervention efforts.

Your goal with all behaviour improvements is to turn them into a self-sustaining cycle, as shown in figure 3-3.

Figure 3-3: Behaviour Shifting Self-Sustaining Cycle



Handling regressions so they do not stop forward progress is covered in chapter 7, 'A New Beginning: Your Final Steps'. In figure 3-3, you see that initial fear can lead to a burst of energy, which leads to action. When acting, the person should become more comfortable, but because change is a continuum, something else about it will provoke a feeling of fear. Getting the employee to feel energised takes him or her through this cycle again and soon it becomes a self-fulfilling one.

Case Study of the Human Factor—Tony

Recall our fictitious case study characters Linda and Tony. Tony learns how to be an agent for change by taking a stand.

A Promotion?

Several years ago, Tony faced what he later described to me as 'The biggest challenge in my professional career'.

Anna, the general manager who was Tony's boss, invited him to lunch. As they chatted about the economy and business in general, he felt ill at ease because Tony, who had worked with Anna for two years, knew that she usually hesitated before delivering bad news.

His first thought was, 'She is going to fire me', but mulling it over, he realised that he was being treated to lunch at her private club, a place where she was well-known. Not a place for drama. Tony quickly dismissed the thought, though he still felt apprehensive.

After desert and coffee, Anna turned serious.

'Tony, I am not happy with our organisational structure; it's too rigid and formal. NSWashington, our sister company, has shed its departmental structure and embraced the team concept. Next week, I am going to announce that we too are going to embrace the team concept here at NSOregon. I have informed the rest of the management team of this move and they support it. Over the next few days, they will be meeting with their key employees about this change. The reason I am talking to you about this is because administrative functions will be the first departments converted into a self-managing team.

'If we can, I want to avoid hiring a consultant like our sister company did. To save money, I would rather tap into your experiences with the team structure'. Tony waited for more bad news. She said nothing further, obviously waiting for him to respond.

'What does it mean for me?' Tony asked hesitantly. 'I don't like the sound of that'.

'I misspoke, Tony. Sorry. All of our departments will be turned into teams. What I meant is that your group—accounting, administrative support, and technology departments—will go through the process first. We want to lead the way with you as team leader. The good news is that I feel many of your employees will embrace this change. The bad news is that you cannot fail. Everyone will be watching you'.

On his drive back to the office, Tony thought about all the problems that he would face. He thought, 'I am sure that there is a benefit to this change but I wish Anna had told me what it was so I could convey that to my group'.

At their regularly scheduled Friday morning staff meeting, Tony informed the 18 employees of the 3 departments about the change. Immediately, many protested loudly and issued dozens of reasons why this concept would not work. Tony attempted to appease them for a time, but with all the negativity being thrown at him, he lost his temper. 'I am beginning to think you do not care about this. But knowing Anna, we have no choice in the matter. So if you feel you cannot be part of this change then maybe you need to quit'. The meeting ended badly and many of his employees avoided him the rest of the day.

Later that day, Tony thought about his experience as a member of a team at his previous employer, GoodDay, where the team concept was already part of its culture. Despite never working in that type of structure, he adapted to it quickly. It suited him and he liked it. Tony had not thought about his old job recently, but regretted the way he had informed his co-workers about the change. One thing he knew for sure, he did not care for Anna's method of informing him about the change.

The next day, Tony took out a notepad and jotted down what he liked and what he did not like about GoodDay's team-based culture. He made a list of what GoodDay had in place that supported the team concept, then he listed what NSOregon lacked. His thoughts were random, but pretty soon a pattern began to form, and he concluded with 10 major points.

Tony called Anna at home and was surprised when she answered. 'I have been thinking about our discussion and I prepared a list of things I believe will make the implementation of this goal go smoother. It's based on my experiences at GoodDay'. He paused to see if she had any question or comments. To fill her silence, he added, 'It will be a major change for all of us, no doubt about it'.

After a little more explanation, Anna agreed to meet on Monday. She had one request. 'Could you send me your notes before we meet so I can be prepared'? Tony acquiesced and composed a one-page summary for her.

The following is a summary of Tony's key points, which he presented to Anna:

My Concerns

1. This transition to a team concept will take two to three years to accomplish, so everyone needs to be patient and hold a vision for that long.
2. The management team will need to provide incentives to induce people to adopt a team mentality. Just talking about it will not work.
3. You cannot force employees to change. My old company, GoodDay, made that mistake when it first rolled out the team concept and they lost many good employees. Employees have to be invited to be part of this change.
4. The sooner that you set the expectation for this, the better. In addition, once you set the expectation for this new structure, you cannot back down.

5. For those you have chosen to be team leaders, it is best if we form our own leader-team first in order to support one another so that we can create a consistent structure and practise using it. In other words, let us experiment and make mistakes before we roll the concept out.
6. The main objective of the leader-team is to address the pains of this change and offer solutions. Getting employees involved in finding solutions will take their minds off what they think they are losing.
7. You and the other managers need to tell us why you are making this change and how employees and customers of NSOregon will benefit. You will need to remind us until you see that the employees consistently behave differently.
8. The team leaders, along with managers, must watch for incremental changes. Because it typically takes two to three years to fully embrace this team concept, the proof that it is taking hold will be in the small day-to-day decisions and actions.
9. Expect regression or a return to the old behaviours. Even after having the team process and structure in place at GoodDay, we still had employees who, even after five years, behaved in ways contrary to the team concept.
10. Expect fear and resistance. Employees will be scared of this change. Many of us assume that we will lose our jobs. This fear, which can spread like wildfire, needs to be addressed up front.

‘This is what I believe will help NSOregon make a transition to the team structure. With a little reluctance, I am willing to make my department the model for the rest of the company. However, I will need you to believe in and support these things I suggest because they will help my team and the rest of the company succeed’.

During this time of transition, Tony contacted me for advice and provided progress reports about what was going on. I offered specific suggestions for him to convey to Anna. One of my recommendations was that she needed to hire a change facilitator early on in the transformation, someone who was experienced in the team process. I suggested a way to make a justifiable business case to her. It took courage, but Tony was able to convince her that it was necessary.

Tony’s Lesson

It took NSOregon over two years to change their culture and along the way they lost some talented employees who were unwilling to embrace this culture change. What I admired most about Tony’s approach was that he was willing to convey to Anna that they needed to deal with the employee aspect or human factor. Years later, Tony told me, ‘This was the first time that I witnessed how a shift in the culture could turn out to be a win for everyone. I am grateful for that experience’.

HOW TO GET PEOPLE TO SHIFT

You are worried and wondering, ‘To get people to change do I use incentives, threats, perspiration, or maybe inspiration?’

The rest of this chapter addresses this question, after I tell another story to set the stage.

Example: We Need to Change!

The chief executive of a hospital contacted us and asked if we would help her make a change in their culture. She wanted the employees to behave more professionally. The health-care industry relies on expertise in medical procedures, pharmaceutical drugs, illnesses and human anatomy, and also relies on patient care in the form of professionalism. The hospital’s main issue was not all the employees believed that patient care was important. Roughly about two thirds of the staff really cared about the patients, but the rest did not, and this number was growing every month.

The chief executive, a very smart, dedicated and talented medical professional, could not figure out why this was happening and hoped we could uncover the source and eradicate it. The pain for her was an ever-growing number of complaints from patients and families about the quality of personal touch. The quality of medical care was excellent.

We surmised that much of the issue was related to the people and the culture. The culture of this organisation, for unknown reasons, taught employees that doing the bare minimum was acceptable. The organisation (at that time) lacked the ability to set the expectation that every employee was required to perform at the highest levels of professionalism.

Our first order of business was to define the critical issue. This hospital is in a very competitive situation for the specialized services it provides. The small things, such as understanding, compassion, caring, and accountability (that is, professionalism) were deemed as the most meaningful to the patient’s families. If this organisation was unable to maintain its slim competitive edge, they would lose patients to other hospitals, leading to employee layoffs.

Our first action was to study the employees in order to gain an understanding of why doing the bare minimum was culturally acceptable. Our second action was to develop a change-friendly learning environment to help employees embrace the new norm. Our third action was to enrol employees in connecting this learning to professional behaviour. One thing we noticed was the lack of a clear, unified definition of what professionalism meant. Professionalism for the therapist was different for a nurse, and then different for the physician. Our fourth action was to help the executives and managers understand how they contributed to the problem, especially through their behaviours and the policies they set that made being unprofessional an acceptable behaviour.

By framing the necessary shifts in attitudes and behaviours and then embedding those in the organisation's learning processes, we helped them increase the overall level of professionalism. Because continuing education is vital in healthcare, it was a natural window of opportunity. After employees embraced professionalism in their daily actions and ongoing learning process, they accepted the need for change. It was a tense and difficult transition, but the leadership team was successful in implanting the needed behavioural and attitudinal shifts throughout the hospital.

People will and do change their behaviours, loyalties, attitudes, and outcomes. As a leader, you must have a defined plan, specific tactics, useful tools, and, most important of all, a total commitment to getting your people to shift. Your people change plan must include a learning element, a shift towards enrolling and engaging, and methodology to quickly overcome predictable resistance.

PEOPLE SHIFTING STARTS WITH LEARNING

You are probably aware of the golden rule in its various forms (that is, 'he who holds the gold makes the rules'). In life, there is another golden rule, which explains why every leadership experts reminds us that you must lead the way.

Example: The Golden Rule of Organisational Change

If you want your co-workers and employees to change, all members of the leadership team must be prepared to self-analyse and shift their own behaviours, work habits, and attitudes first.

The human factor of organisational change is an essential one. It is your people (executives, managers, and workers) whose behaviour ultimately determines which organisational changes are accepted and the benefits derived from those changes. This is true because an organisation is a human system entirely based on people's effort. Yes, technology does enter into the success of your organisation, but it is your people who both use the technology and decide what technology tools to invest in. People within your organisation must understand and be willing and able to implement any change, which at first may appear to be technologically or process oriented but will eventually affect what people do.

When facing an organisational change, the people within it must change first. They will be asked to acquire knowledge, absorb information, take on new tasks, expand their skills, modify their work habits, accept new values, and shift their attitudes to the new ways of being. In each major transformation and in some minor ones, changes in values and attitudes are essential. There can never be any real change without a corresponding transformation in both corporate and individual attitudes. It is important to understand that in your organisation this requirement about a shift in attitude relates to everyone, starting with the most senior leaders. Ergo, the importance and need for the golden rule of change.

The relationship between a change in people and a change in the organisation is best described in a breakthrough text on management consulting and is shown in figure 3-4. It shows four levels of change. The first level is knowledge, the second level is attitude, the third is individual behaviours, and the fourth is group behaviour, whether it's a team or an organisation.

Figure 3-4: Time Span and Level of Difficulty for Change



Instituting change or transformation goes up in difficulty as you go from level 1 to level 4. The relative levels of difficulty and their relationship to time are indicated in the chart. When introducing or reacting to change, the change agent begins by increasing employee knowledge (the first of four levels) because it is the easiest and quickest way to have impact.

From *Management Consulting: A Guide to the Profession*, 2nd edition, International Labour Office, Editor Milam Kubr.

People Shift Naturally When Learning

People change in different ways and every person has many unique features that influence his or her willingness and ability to change. The corporate culture influences how employees embrace change, and that includes the learning opportunities provided by the organisation.

Change Agent Principles #19 and #20

With the exception of disasters and crises, people need time to shift. The time allows them to advance through their personal learning curve.

In the work world, all learning is relearning and all training is retraining.

Change Is Part of Our Nature

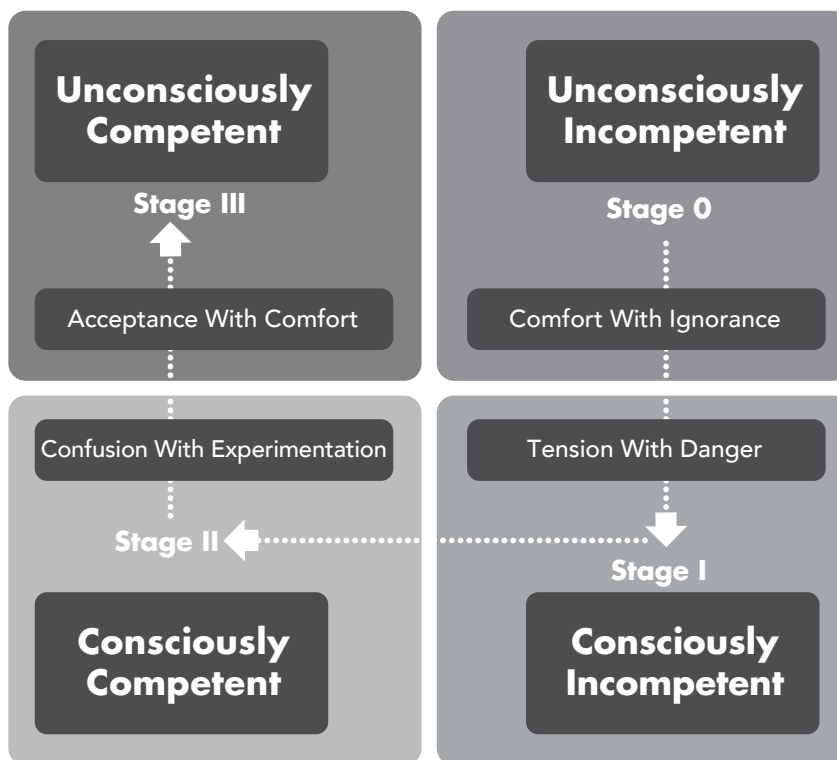
Humans are creatures of habit and relying on habit serves a purpose, yet can interfere with the need to change. Humans are resilient. Humankind has shown repeatedly in its existence that we can and do embrace change. We have adapted at times of war and of peace. We survived periods of depression and recession as well as periods of prosperity. We learned to change from a day-by-day existence where we did not think about tomorrow, to the current state, where most people plan for their future. Humans know how to adapt and change, but we do not always embrace it easily.

We start by understanding why we resist change. In chapter 1, 'The Mystery and Misunderstandings About Change', I explained the stages of organisational transformation. Each stage or phase serves a purpose, and because an organisation is made up of people, the transformation for people would follow the same pattern.

Four Stages of Learning

To explain this model, I will use the process of learning to drive a car. This is a universal process and not one of the easiest things to learn how to do. As represented in figure 3-5, there are four discrete stages of learning.

Figure 3-5: People’s Learning Curve



The four stages are as follows:

Stage 0—Unconscious Incompetence. This stage of learning is all about ignorance. You do not know what you do not know. Your eyes are not yet open to the need to learn something new or to move away from your comfort zone. This stage serves an important purpose. If you worried about everything, you would be a nervous wreck. In addition, being unaware allows your brain to filter out most of the distractions you face each day. In learning, being unconscious means that thoughts are being processed at a higher level of your brain and usually without the intervention of your frontal cortex.

Stage I—Conscious Incompetence. As you learn a new skill, you recognise that at first you are incompetent. You cannot fathom how much you need to know. People who lead with their ego tend to become upset and slip easily into denial in this stage. Perhaps you have tried to assist someone with an electronic device, and the person snapped, ‘I can figure it out myself!’ This is the person’s ego interfering with learning. When you became aware of your incompetence, tension fills your body and you become sensitive and irritable.

Stage II—Conscious Competence. As you took this new knowledge to heart and applied it, at times you felt awkward. It was a time of exasperation and frustration. Because you did not know all the rules you may have invented new approaches. You tested your limits and probably tested the patience of those around you. This growing awareness can also create tension in your body and in your relationships.

Stage III—Unconscious Competence. Now you are competent with your new knowledge and know how and where to apply it. You accepted the need to learn something new and comfort has returned to your body. Your mind is at rest and you are mentally ready for the next transformation. Inventiveness and creativity are in the past and you do not experiment. You know the rules about what you define as possible and stick with them because you like stability and order.

A real commitment to learning helps the individual go through the four stages faster.

To see how these stages actually work, think about learning to drive. Before you ever considered the need or desire to learn how to drive a car, you were incompetent about driving. From birth until just before legal driving age, you lacked consciousness about what it takes to drive. You learned that a car is a device to get you from here to there, but you lacked the competence to drive safely and did not even know it. However, once you felt the desire or need to drive on your own, you travelled from stage 0 to the next stage.

The first few times you got behind the wheel to practise driving, you realised how little you knew. In fact, your ignorance put others at risk, yet you practised how to handle a vehicle safely. You were committed to having a licence so that you could drive. You dedicated yourself to learning something new. This commitment or desire moves you to the next stage.

After you acquired just enough skill to drive a vehicle solo, you were acutely aware of what you needed to do all the time: when to step on the gas, when to apply the brake, what gear to be in, how to look out for other cars, and obeying traffic signs, signals, and speed limits. You mentally rehearsed your skills so they would become natural. When you finally mastered driving, you moved on to the final stage.

You are so competent in the final stage that you do things by habit and do not pay attention to the how and why. Today when you drive you are, like most people, on autopilot. You do not need to think about when to accelerate or brake. You have a feel for the speed and do not need to stare at the speedometer. If you drive a vehicle with a manual transmission, from the rate of speed and the sound of the engine, you have a sense about when to shift gears.

Remember, It was your eagerness to learn how to drive—and feel empowered—that carried you through the agony and humiliation of learning something radically new.

Progressing Through the Four Stages

I used this example of how you learned to drive for a reason. When employees go through a change that will affect their ability to do their job, in terms of quality and productivity, they will proceed through all four stages. A change agent who understands this learning curve will take people through the four stages as quickly and smoothly as possible.

In the four stages of learning, people tend to follow the same thinking patterns until they have adopted the new one. Getting rid of old habits is challenging, because even if you shift to a new behaviour, the mind-set and the conditions that reinforce the old habit keep you fixated on the past.

The rest of this chapter covers how you promote a change-friendly environment for your team and organisation.

Tactics to Instil the Mentality for Learning

In chapter 4, 'Focus Area #2—Culture', I will make the case why your organisation needs to be change-friendly. To make this a cultural norm, the employees must also adopt a change mentality. You accomplish this by instilling practices that support the six attitudes outlined in box 3-2.

Change Agent Principles #21 and #22

No matter how important you are, remember that an organisation does not depend on the efforts of only one person.

To all of your customers, each member of your team or group is an interchangeable part.

Box 3-2: Change-Friendly Attributes

1. *Collaboration.* People generally learn best in a collaborative atmosphere. They are surrounded by others who want them to succeed and work together for a common purpose. In a truly collaborative effort, people are more focused on winning together and working together rather than on individual success and accomplishment. In a collaborative environment, people enjoy working with one another for the benefit of dedicating their efforts to something larger than themselves.
2. *Empowerment.* The change agent must be fully empowered to disrupt the status quo. To support people through the four stages of learning, you must empower employees to sustain the extent of the transformation. There are large and small ways that you accomplish this.
3. *Accountability.* Accountability and empowerment are different sides of the same coin. You cannot have one without the other. When you empower someone, that person is accountable for the responsibility. For someone to merit being trusted and empowered that person must act in accountable ways. Truly empowered people are willing to be held accountable for their actions and decisions.
4. *Interdependence.* Leadership and teamwork go hand in hand—one is fully dependent on the other. Great leaders create the environment where followers work cooperatively so everyone wins. Change management is a team activity and not an independent one. The work needs to get done regardless of who does it. The team leader must build an interdependent team whose sole focus is to satisfy the needs of the customers. A customer does not distinguish between one job function and another. They know you work in a particular department, and your team needs to solve their problem.

Remind your team often of these truisms because they enhance flexibility and a change-friendly atmosphere.

You can verify whether your team has an attitude of interdependence by the following hallmarks. Whenever a group is truly interdependent every employee on the team adopts the following attitudes and models the related behaviour. Each action or trait opens people up to being more flexible and less rigid.

- Every one of us can and will help any customer.
- Even when the leader is out, we make decisions and keep things moving.
- We cover for the person who is out.
- We share resources and ideas.

(continued)

- We trust one another.
- We know we can rely on each other.
- Every goal is our goal.
- Everyone's priority is the team's priority.
- We regularly share what everyone one is working on.
- We assist the person who has more work than time.
- We strengthen the weakest member of the team.
- We never cover up our mistakes.
- We focus on solutions rather than on blame.
- We hold one another accountable to the standards.
- We share the credit for our success.
- We believe that we win together or we lose together, but we choose winning.

Whenever a group of people adopts these attitudes it prevents smugness and complacency from setting in and contributes to a team's change-friendly mentality.

As a person committed to making positive change, you create the environment and provide the structure so interdependence is in the team's culture. Employees in the workplace generally do not naturally work interdependently, so the change agent must foster this attitude in every employee. For some individuals, this attitude will come naturally, but for others it will take reminders and reinforcement by both peers and you. In order for you to trust that employees can make progress and implement improvements without you being physically present, you need to ensure that each person values and demonstrates personal accountability.

Not every employee will buy in to the concept of cooperation and interdependence, so you will need to convince them. Force, in the form of threats and coercion, does not promote an interdependent mind-set. However, you will never create the attitude of interdependence until you and each member of the team become fully accountable, which leads to reliability and competence.

A person who achieves results when leading a small group will surpass a leader without results who is leading hundreds. Whether you are a change agent-manager or a change agent-executive, you need people, you cannot do it alone. This is why every master of change strives to foster interdependence.

5. *Creativity and Innovation.* In stage II of learning, you need people to be creative and innovative. Because you are empowering them to shake up the status quo, they need to stretch established limits. Complacency, resistance, and resentment about disrupting the status quo often occur when people are mired in predictable patterns of thinking. Encouraging innovation and creative thinking prevents employees from getting stuck in the undesirable status quo.
6. *Possibilities.* You probably drive the same route to work each day. You probably eat a similar breakfast each morning. When you visit your favourite restaurant, you probably order the same meal. Did you stop to think that there are probably a dozen ways to get to work besides the route you always take? Did you know that there are multiple ways to fix eggs, toast, hot or cold cereal, or yoghurt for breakfast? Did you ever try ordering a different meal at your favourite restaurant? The odds are that your answers to my three questions are 'No'. If so, you are not thinking about possibilities.

Possibility thinking is vital to getting through the four stages of learning quickly. This attribute allows you to seek out possibilities, especially when solving problems. If you stop at the first solution, you have not prevented the problem from reoccurring or getting worse.

Innovation and creativity help people endure the confusion, tension, and frustration that exist throughout the four stages of the learning process. In stage II, people are more likely to be creative and try new things because they have yet to define what is not possible. In short, that is possibility thinking—analysing what could be possible long before saying, 'It can't be done that way'.

The standards for a change mentality that will help employees succeed should be communicated their first day on the job. You can jump-start a commitment to embracing change when you explain your expectations during the interview process. The candidates may move on to other opportunities if they lack this attitude. After the employee is on your team, constant reminders to make improvements will ensure those behaviours get written into the daily script of their work.

People Learn Through Effective Feedback

Feedback is a powerful strategy to create and speed up any transformation. Feedback can be the fuel for change champions. Honest and continuous feedback can motivate your employees to make improvements more than rewards can. I will define what feedback is and is not, and why it is so effective when striving for excellence. Feedback is not criticism! When feedback is driven by fear, it will be avoided and few of the facts or truths will be valued. All too often, feedback is criticism in disguise.

Feedback is the truth about another person as you perceive it. Looking at it from the other person's point of view, feedback means the difference between being in the dark and knowing where I stand. Your feedback allows me to see if I am who I believe myself to be. It provides me with concrete information on how I am doing. Feedback is the favourite tool of successful change agents because it creates a dialogue between you and the other person.

If feedback is driven by negativity or anger, it will be discredited or ignored. This occurs when the person has done something incorrectly and is afraid of being punished. To be an effective leader, you must get in the habit of giving feedback when the person does things right. We frequently ignore an employee's positive actions and decisions and only give feedback when the employee errs. Feedback is not criticism, yet you are criticising a person when you only notice incorrect behaviours and fail to acknowledge the proper behaviours.

Feedback can have a strong impact on motivation when the employee expects to receive feedback immediately. Feedback is best when given daily because it maintains the high performance level of most people. People want, crave, and desire feedback! Feedback taps into our human motivators of accomplishment and satisfaction.

What happens when feedback is absent? In the absence of specific feedback, people invent their own performance standards. The only time people know what you are thinking is when you tell them. Silence leaves employees trying to figure out what is on your mind and 99.9 per cent of the time they are wrong.

Feedback's Effect on Learning and New Behaviours

The sooner an employee receives feedback, the quicker they will accept the need to change.

Change Agent Principles #23 and #24

A short time period between a specific behaviour and feedback increases the odds that the employee will adjust or maintain the behaviour.

A longer time period between a specific behaviour and feedback decreases the likelihood that the employee will alter or maintain the behaviour.

The key to improving performance is to alter the person's behaviour. Regular feedback will maintain the positive contributions of your star performers and alter the behaviours of underperformers. The two ways that the change agent can use feedback are (1) to alter undesirable behaviour and (2) to reinforce positive behaviour.

Feedback results in quick shifts in performance and speeds up learning when it is timely, constructive, and honest. You will alter actions and decisions that harm productivity, quality, or service, and reinforce the behaviours that build interdependence and support improvements in productivity, quality, or service. Keep in mind that your own attitude when receiving feedback will significantly impact your employees' attitudes on receiving feedback. If you dislike receiving feedback and avoid it, so will your co-workers. If you seek out feedback and use it to improve your own efforts, the employees will follow your example.

As a leader you are always giving feedback. Silence, neglect, hasty reactions, and even facial expressions are all taken as signs of feedback by your employees. As you start to build the structure for your transformation team, use feedback frequently. When employees feel appreciated through ongoing feedback, they will remain committed and strive for excellence. Box 3-3 outlines many of the benefits for providing timely feedback as well as some of the pitfalls of failing to do so. Best of all, the only cost of feedback and recognition is time and attention. These wise investments pay off with superior performers and committed change agents on your team.

Box 3-3: Payoffs for Honest and Timely Feedback

For those involved in a change effort, honest and timely feedback

- honours competence and reinforces good behaviour.
- helps align expectations and priorities.
- fills gaps in peoples' knowledge.
- informs the employee of specific areas to correct.
- alleviates fear of the unknown.
- fosters open communication.
- builds trust.
- rewards change-friendly performance.
- creates a consequence for poor or inappropriate performance.
- sets up expectations and standards.
- creates a professional atmosphere.
- improves interdependence.
- strengthens accountability.

Notice now many would linger if you waited or never gave honest feedback.

- He does not know why he should improve it.
- She does not know how to improve it.
- He does not know what he is supposed to improve.
- She thinks your way of improvement will not work.
- He thinks his way of improving is better than yours.
- She thinks something else is more important.
- There are no positive consequences for improving it.
- He is rewarded for not improving it.
- She is punished for trying to improve it.
- He anticipates negative consequences for improving it.
- There are no negative consequences for maintaining the status quo.
- She has obstacles beyond her control.
- His personal limitations prevent him from making the change.
- Improvement is perceived as impossible.
- There is no way for anyone to improve it.

Change Agent Principle #25

To advance your change efforts you need allies, supporters, and fans.

I have found that when I help someone succeed, they feel that they owe me. If I offer insightful feedback that the other person cannot get elsewhere, colleagues often turn to me for advice, coaching, and more feedback. Professionally, I owe most of my success to providing honest and insightful feedback to others. You can gain allies and build support by providing feedback to those you value.

People Transform When Learning

Natural Law of Change #15 and #16

People change more easily when they are in the learning mode.

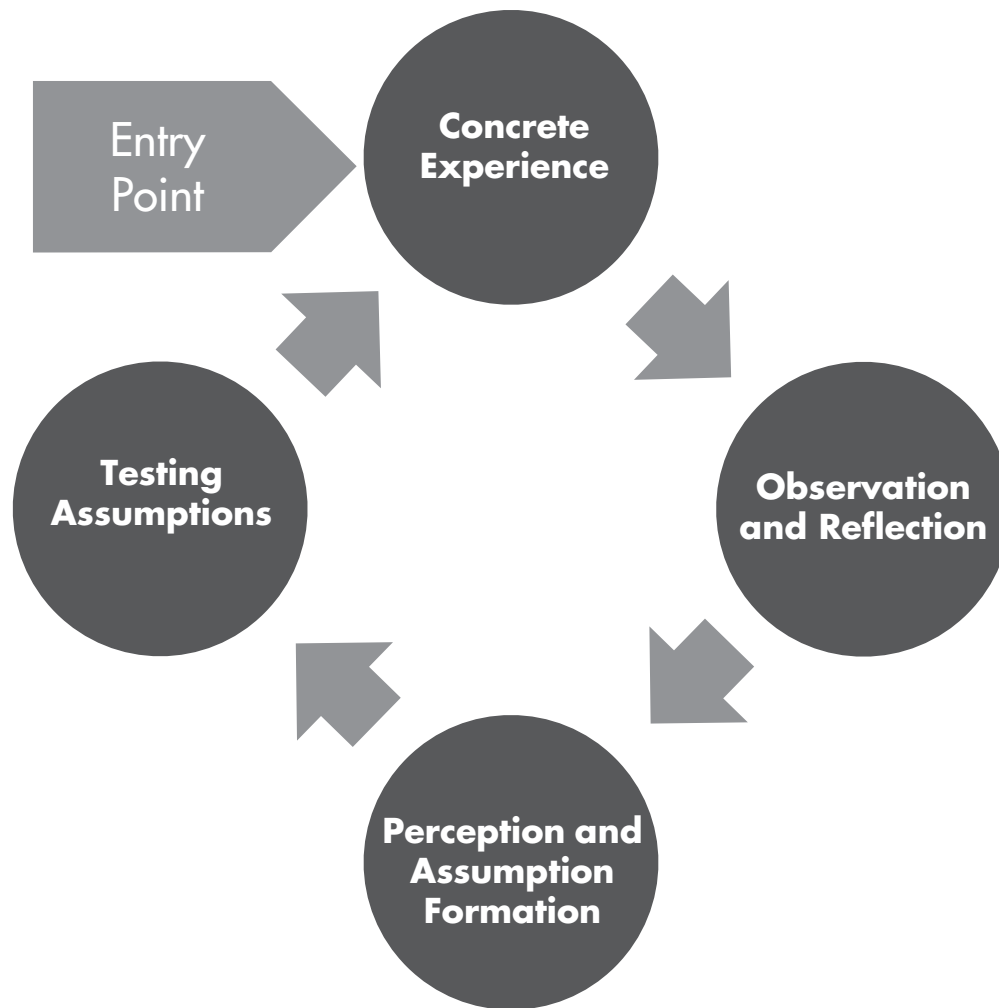
People universally are problem solvers. They love to find solutions that benefit their self-interests.

As you are learning a new skill or job, stress and discomfort can be prevalent. After you are feeling competent again, you do not realise that you are changing. By emphasising the learning aspect and downplaying the requirement to shift their attitude, you can affect employees to embrace change. The best way to promote learning is through problem solving.

Learning's Connection to Problem Solving

Learning, problem solving, and creating solutions are a single process. This important linkage demonstrates how people derive perceptions and principles that guide their behaviour in new situations. It also illustrates how people adopt new learning in order to improve their effectiveness. This cognitive process is simultaneously active and passive, concrete and abstract. It can be understood as a four-stage, self-fulfilling cycle. In figure 3-6, the system of learning is a cycle where one stage leads to another.

Figure 3-6: Learning System



Concrete Experience (Starting Point for Learning). This is the opportunity for your employee to start using new tools, handling new information, or taking on new assignments.

Observation and Reflection. As your employees engage in a new experience, they take time to observe how the work is performed as well as reflect on what is happening.

Perception and Assumption Formation. In this stage, the employees start to understand the rules about this new experience, explore what they can and cannot do, and connect what they know from previous experiences.

Testing Assumptions. As the employee gains experiences, learns how to do something new, and figures out the rules, he or she develops assumptions about how things are supposed to be. The employee creates order out of disorder. This is a positive stage of learning because it helps your employee accept new experiences.

Importance to Change-Friendliness

The learning cycle is continuously recurring. The human mind tests the impressions of new experiences and modifies them as a result of its observations.

The direction that learning takes is governed by the person's own goals. As people seek out experiences related to those goals, the human mind interprets these experiences through the filter of specific goals, then formulates perceptions, and finally tests the cause and effect of these discernments to determine if they are relevant to the goals. Consequently, learning is inefficient whenever the objectives are not clear. To enhance learning, your employees need a purpose for seeking and accepting new experiences.

Because most learning is self-directed as dictated by the individual's needs, the success of learning and adapting ultimately depends on the learning styles of the individual. Learning styles are also highly individualised, meaning that each person develops their own learning style. It is possible to skip a stage in this learning system, but with painful costs. Although you might jump into a new experience, you may fail to observe the lessons to be derived from that experience. You may form new models, but then fail to test their validity. Of course, without specific goals behind the pursuit of learning, you will wander aimlessly through the learning process, thus retaining little of what you have learned.

How to Manage Employee Learning

Learning must start with a specific objective that is pursued deliberately, such as your organisation's commitment to adopting a change-friendly mentality or the implementation of continuous improvement. Executives must budget in the time to learn from the new experiences. This can be done at the conclusion of meetings and after making important decisions. Time must be set aside to examine the outcomes. The interventions covered in the tactics section provide the best opportunities for these reflections. Never allow the following excuse to interfere with the learning process: We do not have time to review, let's move on.

For optimal learning, conflicting points of view, assumptions, reflections, actions, lessons learned, experimentations, and thoughtful analyses are all essential to the process. If one particular perspective, say experimentation, dominates the other perspectives, learning effectiveness is greatly reduced. When creating a change-friendly mentality as well as a learning culture, you must allow for differences in perspective. You can support this through the interventions used for introducing change.

PEOPLE SHIFTING CONTINUES WITH ENROLMENT AND ENGAGEMENT

How do I get people to shift their thinking so they adopt new behaviours? The answer has two parts: (1) invite and (2) induce. Employee engagement and enrolment is your overall strategy to getting people to shift their thinking patterns because it reinforces the learning of new ideas, ways of behaving, and improving routines.

Inviting People to Change

When the person believes that a change is their own idea, the effort to introduce a change will quickly reach its tipping point.

Example: The Tipping Point

In sociology, a tipping point is an event when a previously rare phenomenon becomes quickly and dramatically more common. The phrase was coined by Morton Grodzins. He relied on an analogy in physics that adding a small amount of weight to a balanced object can cause it to suddenly and completely topple. The phrase has extended beyond its original meaning and been applied to any process in which, beyond a certain point, the rate at which the process proceeds increases dramatically. It has been applied in many fields, from economics to human ecology to epidemiology.

The tipping point, in general terms, today means the biography of an idea. Many of the problems we face (crime, teenage delinquency, traffic jams, and so on) behave like epidemics. They are not linear phenomena in the sense that they steadily and predictably change according to the level of effort brought to bear against them. They are capable of sudden and dramatic changes in direction. Years of well-intentioned intervention may have no impact at all, yet the right intervention—at just the right time—can start a cascade of change. Many of the social ills that face us today are as inherently volatile as the epidemics that periodically sweep through the human population. Little things can cause them to tip at any time and if we want to understand how to confront and solve them we have to understand what those tipping points are.

In his study, Malcolm Gladwell, author of the best seller *The Tipping Point*, explores the ramifications of this phenomenon. He defines a tipping point as ‘the moment of critical mass, the threshold, the boiling point’ and his book seeks to explain and describe the mysterious sociological changes that mark everyday life. As Gladwell states, ‘Ideas and products and messages and behaviours spread like viruses do’.

As the leader and change agent you must see your primary responsibility when taking people through the stages of a transformation as inviting them to do what is necessary. This often involves making mental shifts, changing behaviours, and transforming systems. One of your challenges is to create the conditions so that the employee believes that his or her desire to change comes from inside of him or her.

To prepare your employees for change you need their involvement and engagement. You need their brains and hearts to invest in the change. You need their ideas and suggestions. You need their support and buy-in. You get them to assist in shaping the future rather than forcing the future upon them. To do this you rely on three of the seven phenomenon of the human factor to invite people to change mentioned earlier in this chapter, as described in this next example.

Example: Your Big Party

Imagine that you are throwing a huge block party and want lots of neighbours and friends to attend. You would be creative in finding the proper ways of asking them to join in the celebration. You would use that human touch, give them hints about what to expect, clarify your expectations on how to dress and what to bring, and of course the basics like the time and place. For the human touch you could use YouTube videos, tweets, phone calls, or in-person invitations. But whatever forms of invitations used, you would reach out to the people you want to attend.

When you invite people to change, you allow them to feel in control, like they are driving the bus through the transformation. In reality, they are not the driver, but ultimately they need to feel good about their efforts and contributions—like they received a personal invitation to the party. Just as some people you invite to your party will decline, so will employees that you invite to be involved with the change. Of course, you must decide how you want to deal with this.

Inducing People to Change

Change Agent Principle #26

Always establish the expectation that change is inevitable.

The phrase ‘burn the ships’ comes from a historic event when, in 1519, Spanish Conquistador Hernando Cortez landed in Mexico on the shores of the Yucatan with only one objective: to seize the great treasures suspected of being there. Cortez was committed to his mission and his quest for riches. Cortez was a persuasive salesman. He convinced more than 500 soldiers and 100 sailors to set sail from Spain to Mexico, commanding 11 ships, to take what he believed was the world’s richest treasure. How would a small army take on a nation of people? For Cortez, the answer was easy: it was all or nothing! He wanted a complete and total commitment to his blind ambition. Cortez got the commitment from his men when he took away the option of failure. He fervently believed that their goal was to (1) conquer, (2) become heroes, and (3) enjoy the spoils of victory or die trying. When Cortez and his men arrived on the shores of the Yucatan he rallied the men for one final pep talk before leading them into battle where he spoke three words that changed the course of history: Burn the ships.

He met with resistance from his men. ‘Burn the ships’, he repeated. He explained, ‘If we are going home, we are going home in their ships’. With that, Cortez and his men burned the vessels that were their refuge and by burning these, raised the commitment level of the men.

I love that story because it explains how you, the change agent, induce your people to embrace a shift or transformation: Burn the ships! Convincing people what ‘burn the ships’ means is described in the next principle.

One phenomenon of the human factor is in setting expectations. When you set the expectation that there is no going back to the way things were before the change, you have burned the boats. When you provide an incentive for people to change together with the expectation, a majority of them will adjust sooner, with less effort.

Example: Your Big Party

To further the illustration of your planned big bash, you want guests to wear a costume based upon a selected theme. You know some of your invited guests are reluctant to dress up. To deal with this, you set the expectation that no one is admitted without a costume. In the invitation you announce that there will be prizes awarded for the best and most outrageous costumes and you provide pictures as examples of costumes that reflect the theme. You incentivise people to adjust to your expectation. You make it easier for the reluctant ones to embrace your expectation. In other words, you will persuade those who show up to be in costume.

Some of your employees will resist change, just as some party guests will decline your invitation. Despite your best efforts to include them by selling the benefits and providing incentives, they will not refuse to change and this is a challenge you need to face and address as part of your change plan.

Shifts in Thinking and Learning Produce New Behaviours

One major reason people resist change is that their ego clashes with a primary and universal human motivator: competence. People's fear of looking incompetent exceeds the desire to embrace change. The most important strategy you can employ to overcome reluctance to shift behaviours is one that is regularly overlooked. Let people fail successfully. Whenever someone learns something new, they may feel awkward and incompetent. They often fear looking stupid in front of their boss, co-workers, colleagues, and peers. You must remove that fear quickly as employees adopt new work habits and practices.

Another major reason a person is not open to change has to do with the way our thought patterns work around a proposed change. Consider the scenario in the following paragraphs.

You are told today that you have been given a new job, one created just for your unique set of skills. Assume that you have often announced to friends and your boss that, 'I like challenges' and 'I am always on the lookout for new opportunities to show you what I can do'. However, the moment your boss informs you of this new opportunity (a change) you react with horror. You feel distress. Why?

You instantly envision problems ahead. You instinctively compare what you know and are against the new job, which is a huge unknown. You do not know what the future holds. You are, in a way, experiencing shock. This is perfectly normal, but due to this state of mind, you cannot think clearly.

The next thing that happens is your ego speaks to you. It starts making up all sorts of excuses and reasons why this change is not good. You imagine things such as instability, loss, looking stupid in front of your co-workers, and worst of all you imagine that you are being victimised. Either out loud, or to yourself, you say things like, 'Why wasn't I involved in this decision? This is a stupid decision on my boss's part'. If you feel like a victim, you sound like one by saying, 'My boss has it in for me', or 'Why am I being punished?' You slip into denial when you tell yourself, 'This cannot be happening'.

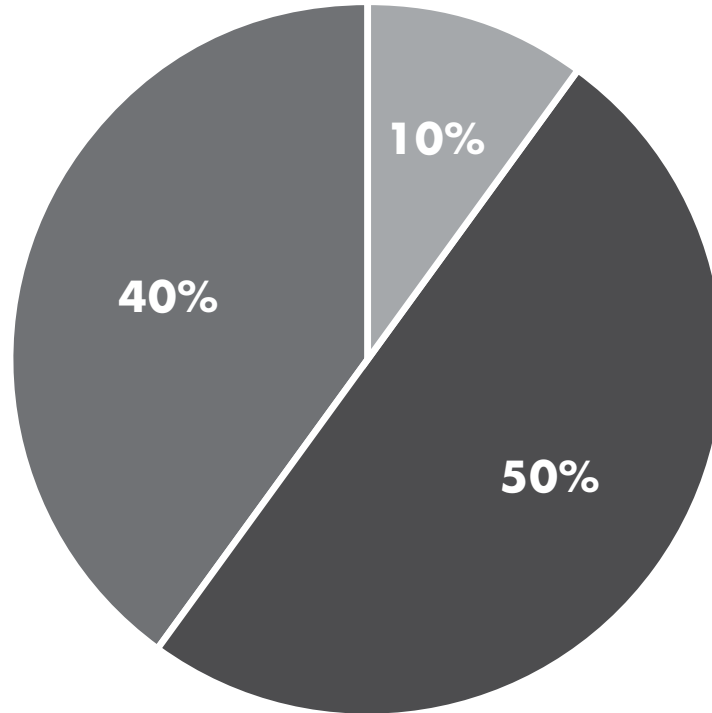
Remember, you are still in an irrational state. However, as time passes, you become rational again. By talking it out, thinking about it, and most importantly asking questions for understanding you soon see that the change is not so bad. In fact, you envision that there are so many positives to it that you get excited and energised. You have just experienced a mental shift. Congratulations!

In the three stages of mental shifting, people tend to react in predictable patterns until they have adopted a new attitude. Getting rid of old habits is challenging because even if you adopt a new behaviour, the mind-set and the conditions that often reinforce the old habit keep you fixated on the old habit, so you must surround yourself with people you trust, who support this mental shift, and who help you think rationally.

People Take More Risk in a Trusting Environment

Being surrounded by like-minded people helps people experience the mental shift that is necessary with adapting to change. From our experiences with both training and consulting, High Road Institute has found how important this is to creating an environment for learning new skills and habits. Figure 3-7 demonstrates what I have found through research and empirical studies.

Figure 3-7: The Environment That Promotes Learning



Learning Mindset	How is the information like or unlike what I know?
Learning Relationships	Who am I going to learn with?
Learning Content	What am I going to learn?

Learning Mind-Set. This is vital to accomplishing a mental shift because the people going through a shift need answers to the following question: How is the new information like or unlike what I already know? This is known as linking. When the brain can link something new to something it already understands, learning goes faster and remains longer. About 50 per cent of learning comes through this linking phenomenon.

Learning Relationships. When a person trusts both those who are driving the change and those involved in it, the learning is faster and more in-depth. Because about 40 per cent of learning relies on this trust factor, you must do everything possible to build up trust so that the employee's mind can get comfortable with the reality of the situation and not the perception of it.

Learning Content. The last component or factor in speeding up the acquisition of new information and making it stick is the content. Because this is only 10 per cent, the first two components tower over this one in importance. This means that the 'what' (that is, new information) you present only takes effect after you have built up trust and created necessary links to your employee's existing knowledge.

Instilling the three conditions necessary for learning is one thing that organisations like Weight Watchers, Alcoholics Anonymous, and Toastmasters do best and why they are all so successful in modifying people's behaviours around shedding pounds without dieting, ending alcohol dependence, and gaining comfort when speaking in public.

HOW TO OBTAIN ENGAGEMENT AND ENROLMENT

Engagement means commitment and voluntary involvement when people are involved in an effort. The primary goal of employee engagement is to energise employees by making their efforts and contributions visible and then showing appreciation for employees who perform at higher levels.

The crucial goal of employee engagement is to energise employees by first making their performance and results more visible and, second, by recognising and rewarding those who continuously perform at a high level and who adopt a change mentality and use it to make things better.

Change Agent Principles #27-29

When your employees feel engaged they contribute, share ideas, take responsibility, and change faster.

Engagement generated by force or coercion is not cooperation or enrolment.

The experienced change agent builds morale, which generates and supports employee engagement through fun and friendly competition.

Example: Favourite Game

Let us say you love playing a game on your electronic device. This game is fun and challenging and you find yourself spending hours at a time playing this game. Although there is no monetary reward or recognition from winning, you simply earn an intrinsic benefit of feeling that you accomplished something.

Relying on my example of being fully involved in your favourite game, employee involvement follows the same structure. When a person is engaged he or she receives intrinsic rewards, feels a sense of accomplishment, receives immediate feedback, is fully involved, sees something happening (that is, gets results), feels challenged, and experiences enjoyment.

Engagement Requires Proactive Participation and Enrolment

Just telling employees that you want them to think creatively and embrace change will not make it happen. In fact, in over 90 per cent of the documented cases where the only support for new thinking was being told to do it, employees refused to change. In the other 10 per cent of documented cases, the employees' commitment lasted less than six months; after a short period employees went back to their old ways of getting things done. Thus, status quo was preserved and strengthened instead of disrupted!

To effectively embed both a continuous improvement and change-friendly mentality, the leaders must make a concerted effort to continually enrol the employees in the importance of making positive shifts in their thinking and embracing learning.

Even in companies where safety is an important ingredient of the business's success, employees tend to forget about its importance over time unless they are continually reminded. You will find visible clues about the importance of safety throughout these organisations.

TACTICS FOR ENROLLING PEOPLE

The same holds true for your change-friendly culture. Every employee must experience visible clues and reminders throughout the organisation about the importance of embracing change. Two definitive ways to enrol all employees are to (1) tie each employee's performance evaluation to the expectation for constant improvement and growth in learning and (2) connect each employee's pay check to the need for constant improvement and growth in learning.

Of course, in a safety-conscious organisation, employees who refuse to accept safe practices as a norm are fired. Similarly, in your organisation, employees who refuse to shift and embrace a change mentality are also let go.

Box 3-4 outlines best practices and behaviours to help employees remain engaged and committed to embracing change.

Box 3-4: Keys to Engagement and Commitment

Six tips to promote active engagement are as follows:

1. Set congruent self-directed goals
2. Get employees to understand and believe in the rules
3. Establish that the rules are flexible as long as deviation leads to improvements
4. Have written rules that support engagement (these are covered in chapter 6, 'How to Prevent Backsliding')
5. Reward the right behaviours
6. Make heroes of change champions

Seven behaviours to secure enrolment are as follows:

1. Recognise employees' contributions
2. Measure employees' efforts
3. Set clear expectations
4. Make change a fun learning and growth experience
5. Allow employees to co-design the goals (which are a subset of your strategic objectives for change)
6. Provide coaching and ongoing feedback
7. Redefine the cultural norms that you want employees to adopt

Tactics That Engage People

You can use similar methods with the people you are taking through a transformation in order to engage them in learning.

1. *Address the Employee's Mind-Set.* Allow people time to discuss their concerns. Let them know that you empathise with them because you face the same fears. Discuss the new mind-set that will support the change.
2. *Provide the Employee With Immediate Feedback.* Giving continuous, supportive feedback to each person as they go through the four stages of learning will go a long way in their mental preparation. Applying the skill of coaching will serve you in this endeavour.
3. *Let the Employee Provide Supportive Feedback.* One of the fastest ways for a person to acquire and assimilate new information is when they must share it with someone else in the supportive manner. Use a mentorship method of assigning each employee a mentor or partner to coach them through each stage of learning, focusing on the new knowledge, and applying it immediately.
4. *Create a Plan for the Employee.* Change is often messy, chaotic, and full of unknowns, yet you cannot allow these conditions to deter you from creating specific change plans for each employee. Even if the employee's plan is for a brief period, when an employee has a roadmap to follow they will gain comfort and confidence.
5. *Give Employees the Tools and Skills to Succeed.* Our client's employees tell me repeatedly that they do not receive any specific training or tools on how to change. Imagine a car repair shop that did not have the proper tools to fix your car. There are very few organisations that make the effort to give employees the necessary tools to deal with rapid change or learn new skills. In most organisations, leaders expect the employees to come up with ways to make improvements. No wonder employees consistently ignore their leader's expectations for a change-friendly mentality.
6. *Celebrate Employee Learning Milestones.* Along with their personal change plan, build in celebration points along the way as individuals and teams reach certain milestones built in your overall strategic change plan.
7. *Focus on Successes.* All too often in the hectic and relentless pace of business, people tend to dwell only on the things that go wrong. A change agent will serve their employees well by focusing everyone's attention instead on successes, even the little ones. Each time you get your employee to focus on things that he or she does well, it serves to build his or her confidence and instils a greater willingness to try and experiment. If you were to focus solely on what was not working, you would do the opposite. Your criticism and condemnations would harm his or her confidence and diminish the person's willingness to try something new.
8. *Apply Learning Immediately.* Just acquiring learning in the form of new job skills, knowledge, or experiences is not enough. The sooner that your employees are able to apply what they have learned, the deeper the learning goes. There is a Chinese proverb that explains this technique: Tell me and I'll forget; show me and I may remember; involve me and I'll understand. As a change agent in charge of implementing a transformation quickly, you help people to experience the stages of learning by encouraging them to immediately apply what they have learned. An effective intervention tactic is to ask the employee to teach the new skill to someone else.

Frequently, when you ask employees to change their work habits, work products, and mind-sets there will also be a change in what success looks like. In my long history with accounting, I faced numerous radical

changes as we went from the manual general ledger to an electronic one, from using paper and pencil spreadsheets to using Lotus and then Excel, and from tracking million dollar inventories on paper ledger cards to managing them on a multiple-user database.

Box 3-5 outlines seven tried and true practices will help people adjust quickly to new results, revised expectations, and altered success points (for example, results).

Change Agent Principle #30

When your employees know how you act because you made it clear to them, they will make their own decisions without asking permission and direction.

Box 3-5: Tips for Adjusting to Change Expectations

1. Define expectations about what an acceptable work product looks like and provide examples.
2. Let employees, who are your experts, brainstorm the means to make their output look like an acceptable product.
3. Let people fail successfully because no one will get everything right the first few times.
4. Provide continuing feedback on both the acceptable products and the unacceptable ones.
5. Let people know the how and why behind the shift so they can make the changes necessary to improve their work products.
6. Provide praise whenever you see an employee striving to meet your new expectations.
7. Let each person know how much you value that person's contribution, and be specific in your description so that person can repeat it.

PEOPLE SHIFTING CANNOT STOP DESPITE RESISTANCE

On any change, you will meet with resistance. It could be a trickle or it can be a tsunami. That is why the people aspect of your plan for change must have strategies and tactics for addressing it up front so that you turn negativity into support and resistance into positive energy. Let us explore the mind-set people have that leads to resistance.

The Motivation Behind the Change Mentality

Natural Law of Change #17

Having the willingness and ability to embrace constant change has only one primary motivator or driver: survival.

As I stated earlier, the body always goes where the heart goes first. In change management, the body consists of your processes and systems (focus area 2) and your culture (focus area 3), and people (focus area 1) represent the heart. That is why you start any transformation by focusing on the people involved and impacted. You need them to emotionally buy into the change and shift their thinking.

Both motivation and attitude (that is, mind-set) make up aspects of our heart because they involve our emotional states.

Flexibility is vital for survival in today's fast-paced, global, 24/7, highly competitive world. Your organisation must be sleek, productive, responsive, and able to make adjustments quickly and timely. This means every organisation must have a change mentality in its cultural ideals. As proven in newer companies such as Facebook and WordPress, and established ones such as Starbucks, Intel, and Apple Computer, when employees are enrolled and engaged they thrive on constant change and strive for excellent results.

For your organisation to be relevant today and tomorrow, the leadership team must embrace the value of a change mentality. They do so by shaking up the status quo on a regular basis for the right reasons, then people throughout your organisation must question the value of what is being done today and adopt a constant improvement mind-set. Unfortunately, this flexibility and willingness to embrace change can be difficult to find in most organisations. To demonstrate, I point out three of the most common ones where resistance to change is the norm:

1. *Lacking in Not-for-Profits and NGOs.* Associations and membership organisations are losing members each year because they are viewed as old, stodgy, and out-of-sync with the times, and provide little value compared to the dues charged. They often lack a change mentality. The concept of being able to shift with the times is a high price that translates to lost revenue and declining membership.
2. *Lacking in Government.* A major complaint about governmental organisations is their inflexibility. The price they are paying for this lack of change mentality is today's taxpayer revolt and the widespread mistrust of anything the government says.
3. *Lacking in Big Business.* One of the black eyes for many of the Fortune 500 companies is their inability to change and adapt quickly. One price they are paying for the lack of a change mentality is a never-ending supply of competition. Another cost is that today's fresh ideas are generated by entrepreneurial companies led by people who fled their idea-stifling employer. A final cost of their inflexibility is that investment capital flows away from major corporations to those organisations with fresh and innovative ideas.

Why People Resist and Fear Change

The history of humankind has shown that people can be remarkably adaptable, cope with change, and generally accept change as a natural fact of life. Why, then, are people so often the bottleneck of cultural change? Why is change such a frightening prospect for many of your employees? What brings up this fear that can lead to regression?

People resist and avoid changes that will leave them worse off than they are now in terms of job duties, working conditions, workloads, hours worked, job title, income, resources available, and influence. Although this is understandable, given undesirable consequences, a large amount of resistance to change will exist even if the proposed change is neutral or beneficial to those involved. Although there are many reasons why change spurs resistance or reluctance, box 3-6 includes a list of some of the major causes.

Box 3-6: Change Resistance Drivers

1. *A clear lack of conviction that the change is needed.* Leaders paid lip service to the need for change.
2. *Dislike of the proposed change.* People do not like to be treated as objects and resent changes that are imposed upon them.
3. *Dislike of surprises.* People want to be informed about any change very early so that they can be prepared.
4. *Fear of the unknown.* People do not like to live with uncertainty and would prefer an imperfect present when compared to an unknown or uncertain future.
5. *Reluctance to deal with unpopular issues and sacred cows.* People often try to avoid unpleasant realities even if they realise that delays in addressing them can be detrimental.
6. *Fear of inadequacy and failure.* Generally, people worry about their ability to adjust to change and the effects of new standards for workloads. When employees feel insecure, they tend to fight change.
7. *Disrupted practices, habits, and relationships.* Employees have mastered their job duties and achieved a level of comfort, and change often means that this comfort will be disturbed, which leads to frustration and unhappiness.
8. *Our inability to see the situation outside of ourselves.* I will let the next truism explain this one.
9. *Lack of respect and trust in the person promoting change.* Employees will always be suspicious about a change proposed by someone they do not trust.

Natural Law of Change #18

Those who are often in the greatest need of it will resist change more than anybody else. This applies to employees, managers, leaders, teams, organisations, and even entire industries.

In chapter 2, ‘The Change Agent’s Package’, we discussed the implications of building or losing trust and notice that trust shows up again here as a driver for change resistance. As you will notice, many of the foundations for resistance come from human nature.

A CHANGE AGENT’S TACTICS FOR REDUCING RESISTANCE

Gain Support of the Overall Plan

Inviting people to actively participate in your change effort throughout all the stages is a useful method for gaining support while reducing resistance. Participation helps you create an atmosphere in which employees feel they are the owners of the plan. Therefore, the driver for the change comes from within the group, rather than being mandated by management or outsiders. If things go wrong during the implementation of the change, the

group is more willing to examine what they did to contribute to the mistakes rather than blame management. There are unlimited ways to draw the attention to the need for change. I will share with you two that produce great results: anxiety and the four-step information sharing process.

Method 1: Use Anxiety. An urgent need for change occurs when people are anxious. In special cases, a state of extreme anxiety is very effective for driving change, such as in an emergency or a pending crisis. Despite its effectiveness, the continued use of heightened anxiety to introduce change tends to be self-defeating over the long-term because people become inured to anxiety and will eventually lose patience.

The use of minimal anxiety can be accomplished by creating a state of anxiety to (1) draw attention to the specific need regarding a change and then (2) immediately provide solutions that make the anxiety and pain go away. The anxiety you stress must connect to the perceived pain.

Method 2: Employ a Four-Step Information Sharing Process. The second most effective way to attract attention to the need for change is accomplished in four steps:

1. *Identify the Critics in Your Organisation.* These employees pay attention to what is going on, are usually technically oriented, have a broad perspective, and stay in touch with the trends in their industry. These people may be perceived as iconoclasts. Because of their highly opinionated nature, they rarely influence others in the organisation, yet they serve a purpose—playing the devil’s advocate.
2. *Identify the Opinion Leaders in Your Organisation.* These employees have considerable influence over people within the organisation. These employees rarely have a title, yet are often consulted.
3. *Use the Critics to Test Your Plan.* Your next step is tricky yet necessary because you assess your plans with the critics to ascertain their concerns. Merely making them aware of the need for change will yield valuable insights into what other employees may be concerned about.
4. *Sell Your Plan to the Opinion Leaders.* Actively recruit the opinion leaders and help them understand both the need for change and your plan for introducing it. Once they are convinced and feel included, these influential employees will start discussing the change with others. Acceptance of your change plan will begin to gather momentum.

Gain Support for Plan Specifics

After you have sparked an interest in finding solutions, you now need to produce the desire for a plan and its implementation. This is also the time to introduce the positive and negative aspects of your change strategy and commit the change plans to written form. The technique of writing out the aspects of a change plan is referred to as the inoculation effect. This phenomenon usually weakens any resistance that is likely to arise once the change strategy is approved and the implementation process started.

The process for making the inoculation effect successful goes like this. For every major aspect of the change plan, break the main issues into two categories: (1) a plan that keeps the status quo (this is known as plan A), and (2) a plan for change, which is your proposed solution to the issue (this is called plan B). Your intent is to subtly replace plan A with plan B.

When presenting your overall change strategy to management, employees, and other affected groups, give them the two proposals in writing: plan A (the status quo) and plan B (your solution). Follow this sequence in your presentation:

1. Present a complete listing of all the positive and beneficial aspects of plan B for moving forward.
2. Present the obvious and real drawbacks associated with plan B.
3. Mention the obvious positive features and benefits of plan A.
4. Present a comprehensive listing of the deficiencies of plan A for staying the course.

Following this presentation to the group of the positive and negative features of the two proposals, the change agent then draws conclusions as to why (the favoured) plan B needs to be implemented by reemphasising the benefits and effectiveness of why it will work to stop the pain from recurring. If you have the information, inform the group where this particular solution is having a positive impact (for example, other users of it, best practice companies, or competitors).

The inoculation effect works because of the way the topics are presented. When faced with a list of choices, people generally remember the first and last thing they hear. They will recall the strong benefits for moving ahead and hear them again in your recap. The drawbacks of the change proposal will be minimised.

Handle Objections to the Plan

The ability to handle objections is an essential skill for anyone who wishes to be an expert in change management. People who are reluctant to change can be classified as sharpeners and levellers. *Sharpeners* tend to be those employees who ask specific questions concerning your change process. These individuals are usually genuine objectors who want to be convinced that the change is justified and all aspects have been considered. *Levellers* are those employees who generalise and broaden an issue. They can be quite difficult to convince of anything because they are often more concerned about the form of their objections than in the content of them.

Resistance to change can be expressed in many different ways, such as meta-language, body language, non-verbal cues, inattention, lack of compliance, or avoidance. Whenever a change agent senses that employees may object to an idea, change plan, or an improvement, the change agent should help those who have concerns to express their apprehension by formulating specific objections.

Each objection that is voiced can be analysed. It may point out an undetected risk in your change plan. A formal objection allows the change agent to know what employees are thinking. You can attend to the concerns by stating how they will get addressed in the plan. Best of all, handling specific objections openly and confidently makes the plan stronger. Whenever the change agent faces a specific objection, it is useful to break each objection into components and treat each component as a separate entity, rather than attempt to deal with the objection as a whole.

Remove Objections and Resistance to the Plan

When it comes to powerful change, merely mentioning it once is not enough. Your change plan must be repeated over and over until employees understand that the change is a fact. The change agent takes every opportunity to inform those affected by the change on what will be taking place.

As the change agent, you have access to events and actions that can be used as intervention techniques, in which you can present information and facilitate attitudinal changes within specific individuals. The techniques outlined in box 3-7 will assist people through the stages of change. Many are behavioural based and emphasise the necessary shifts in attitudes, values, and relationships.

Box 3-7: Change Resistance Intervention Techniques

- Training sessions
- Organisational diagnosis, such as the gap and SLOT analyses
- Change implementation and measurement tools
- Case studies
- Plus-delta analysis
- Formal action plans
- Employee meetings
- Ad hoc or temporary committees
- All-hands meetings
- Team meetings
- Quality teams
- Connecting strategic goals to change goals
- Internal competitions
- Feedback sessions
- Coaching sessions
- Counselling sessions

Rarely will one intervention technique or approach lead to successfully overcoming all resistance to change. In most situations you must use a variety of intervention methods. Be flexible when choosing the appropriate mix of techniques. Use several of them simultaneously when appropriate.

Understand the Plan

When people fully understand what is about to happen, they become more open to it. This means you must get employees mentally prepared to expect change. The change agent takes every opportunity to explain the overall plan and its components. Figure 3-8 shows a six-step tactic that works for you in both a group setting and in one-on-one discussions. To be effective, you must commit to and practise listening, being open to what people have to say, being honest and tactful, and being fully present.

For at least 30 years, I used these steps for communicating something important. I did not realise how powerful this tactic was until I discovered it mapped out in *The Consultative Approach* (LaGrossa and Saxe). I have blended my process with theirs for illustrative purposes.

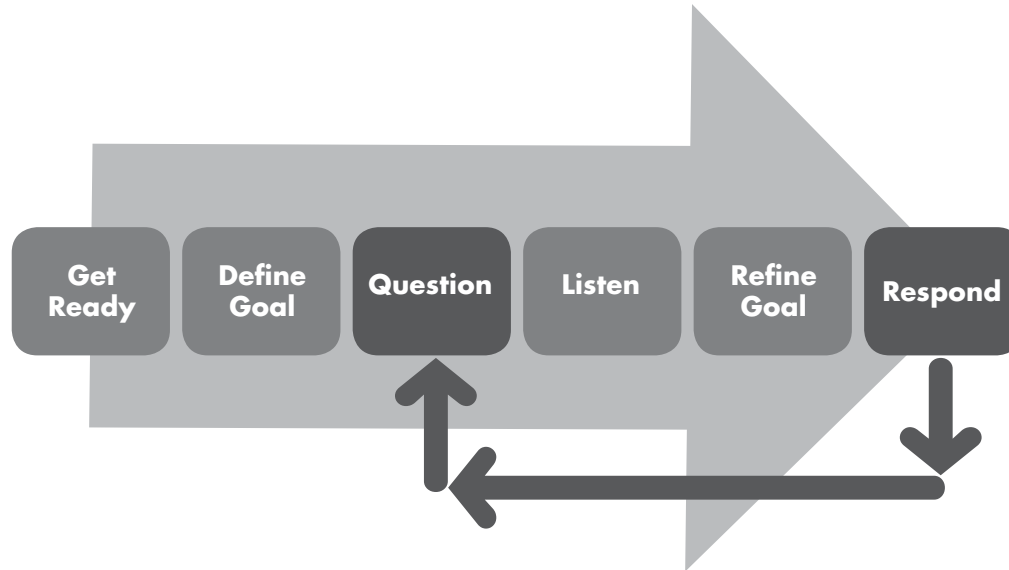
Linkage of Learning New Information to Application

Throughout your organisation, one of your major challenges is to link new information where it is needed for change to be easy and effective. You must link the relevant application of information to a specific intention to act; the goal setting and action planning processes; the skill development of thought leaders, change agents, and others; and the organisation's risk appetite.

In the area of employee learning, one way for the change agent to meet the expectations of the person sponsoring the change is to use a linkage model. This model is based upon a series of nine crucial linkages in which the change agent helps the employees learn and apply the new information:

1. *Start With Inputs or Sources of the Information.* These are your different resources for learning, ranging from best practices, to case studies, to experiences, to demonstrations. The change agent's role is to make employees aware of these resources.

Figure 3-8: Six-Step Iterative Process for Creating Understanding



- 1. Get Ready.** Prepare for the interaction by focusing on the present and minimising distraction.
- 2. Define Your Goals.** Define a specific goal that will guide you throughout the interaction.
- 3. Ask Questions.** Use open-ended questions to understand the employee's frame of reference and the situation. Create customised questions that will provide insights.
- 4. Listen.** In order to determine if a response is needed, listen carefully without making judgements. Look for non-verbal clues to help you understand what is not being said.
- 5. Refine.** Adjust your goal, if necessary, for completing this interaction. You may discover the need to refine the original goal.
- 6. Respond.** Tell the person what you will do. You do this by applying your expertise, confirming understanding, broadening the person's frame of reference, and making recommendations. In the diagram there is an arrow that flows from this step back to the question step. Because this is an iterative, real-time process, the moment you realise you do not have a mutual understanding, you pause and ask more questions. You then repeat steps 4-6 until every person is on the same page.

(*The Consultative Approach*, Virginia LaGrossa and Suzanne Saxe.)

2. *From Information to Understanding.* The change agent's role is to assign meaning to the new information so employees can obtain an understanding.
3. *From Understanding to Relevance.* The change agent's role is to establish relevance for the new information. Much of the new information will be ignored as not applicable to our situation, even when it is.
4. *From Relevance to the Intention to Act.* Unless action occurs as a result of the learning, nothing will change. This starts with the employees having the intention to make something happen. The change agent builds a bridge from the employee's perception of its relevance to a willingness to apply it to the problem they face.
5. *From the Intention to Act to Problem-Solving and Goal Setting.* Once the intention to act on the new information is made, the change agent must help the employees envision the many alternatives now open

to them. Because this can be overwhelming, it is wise for the change agent to select an application for the employees to work on and establish goals for only that one use.

6. *From Goal Setting to Specific Action Plans.* The transformation starts when new information is translated into a goal. The change agent supports the employees in selecting action plans where the new information can be applied. To ensure this actually happens, it is wise for the change agent to select feedback metrics to show evidence of progress and the impact on the problem.
7. *From Action Planning to Rehearsals.* Because it will be the employees who own accountability for the changes and carry the effort forward, the change agent's role is to teach employees to present their action plans to the change sponsors in the form of a management presentation. You can use role playing and simulation to give the change team confidence when they go forth to get approval.
8. *From Rehearsal to Actual Presentation.* Through coaching, the employees involved in removing the problem are ready to present their action plan for change to those whose approval is needed. The change agent's role is to provide any support that is needed through this intimidating event.
9. *From Presentation to Application and Support Building.* The change agent's role is to help those who received new information to identify the sources of support for their action plans. Even though the action team gets management's approval, they often have to obtain buy-in from employees affected by the change. The change agent best serves the sponsor by showing them how to support the affected employees while averting resistance.

These anti-change attitudes are reinforced by our life and work experiences. Experiences like these tend to make employees very wary and suspicious about the topic of change.

CHANGE AGENT TOOLS FOR THE HUMAN FACTOR

The tools referenced in the next section are categorised by their usage in getting people to change. However, their outcomes overlap. For example, using one for overcoming resistance will also aid you in obtaining engagement or increasing learning.

Tools Designed to Introduce Learning

Natural Law of Change #19

When making a shift or transformation, taking action before the problems and issues are defined will needlessly prolong the transformation, make it more arduous, and may not solve the core issues.

You have already been introduced to three tools that fit into learning support and inducing people to shift their thinking and alter behaviours: **Tool #2: The Gap Analysis**, **Tool #3: Probing Questions**, and **Tool #4: Mind Mapping** referenced in chapter 2 'The Change Agent's Package'. Four additional tools to assist assessing change management consulting considerations at the beginning of a change management cycle will be introduced in the sections that follow in this chapter:

- **Tool #5: The Five Whys**
- **Tool #6: Problem Restatement**
- **Tool #7: Responsibility Charts**
- **Tool #8: Team Leadership Assessment**

Review these tools along with the tools found in chapter 2 as part of phase 1 of the consulting process model as outlined here, and based on the formal problem solving process: The Triage Method found in chapter 2:

Phases of the Consulting Process

Phase 1: Diagnosis and discovery (of pains, issues)

Phase 2: Solution gathering (finding and testing)

Phase 3: Solution selling (getting buy-in and implementing)

This vital change agent tools can be found both in the back of this book and in the downloadable content that accompanies this book. To demonstrate how this tool applies, you can understand its use by reading the case study.

Linda knew that she needed a strong team to support her efforts to transform Exemplar, so she had to decide if she had the right people on her team.

Case Study of Team Evaluation and the Five Whys—Linda

Recall our fictitious case study characters Linda and Tony. Linda deals with an unethical employee who is seeking revenge and uses both the five whys tool and a team evaluation tool to prevent it from happening again.

Linda's Troubled Employee

At the next scheduled coaching session, Linda asked, 'Do you remember Valerie? She is a senior accountant in the finance department and has been with us for over eight years. She is our resident expert on brokerage accounting'.

I replied, 'I met her in the brainstorming sessions and chatted with her when I was in the office working with Celia. Why do you bring her up?'

'As Celia learns her CFO responsibilities, she has discovered some acts that Valerie has engaged in that are unprofessional and questionable. In fact, Celia is concerned that these acts could be a breach of our ethical practices'.

'Could be? What sort of things is she doing?'

'Celia found e-mails that Valerie wrote which contained negative comments about the company. The three instances Celia found occurred right after Jasper was fired. Valerie was a friend of Jasper because he hired and trained her. Celia also found a personal blog, by accident, that Valerie writes under an assumed name. It was hidden in an electronic file. In her blog Valerie has disdained certain employees, the company, and our industry. She writes cryptically so no one outside of the company would know who she is criticising. Celia showed me the postings and we were able to decipher the pseudonyms and references to specific employees. She mocks and even ridicules some of our referral partners and one of our major lenders. If they knew about this, it could hurt our relationships with them. The blog started the day after I announced Wilbur's retirement'.

Linda continued. 'Those behaviours alone are a cause for concern, and I have asked Zachary in Human Resources to start the documentation process so that we can hold her accountable. Of course, it is a little dicey because she could argue that it was fictional writing. We would have to prove that she is the author. So all we have as definitive proof are three personal e-mails to friends. I had to get our attorney involved because the blog can be traced to our systems'.

For another 10 minutes, I posed questions about this problem, then Linda turned to me and said, 'But that is not the worst of it'.

'Is there something worse than exposing your employer to a defamation lawsuit?' I inquired.

'Celia uncovered evidence that Valerie has been making inappropriate ledger entries for some time. She is coding items that are considered reimbursements for costs and posting them into a revenue account. These are small amounts, not very material. They were not detected because the bottom line comes out the same. However, those entries have caused us to overstate revenues over the last two years'.

I then asked, 'What do you think is the reason for this behaviour?'

Applying the Five Whys

I elected to use the five whys tool for Linda's dilemma because it could provide an answer to this challenge in less than 15 minutes.

'Why you think Valerie has been engaging in this practice?'

'Umm, I would say that she has an axe to grind'.

'Why would she have an axe to grind?'

'She is upset for Jasper's termination'.

'Why should she be upset that Jasper was fired?'

'I think she believes that Wilbur and Jasper were victims. In her blog she ambiguously expressed her anger that Wilbur was kicked out unfairly'.

'Let's turn to what she has been doing to the revenue entries. Why do you think she is doing that?'

'My first response is to get back at us'.

'Why would she do that? What is her gain, assuming she has been doing this long before Wilbur was terminated'?

'All employees participate in a bonus pool that is based on the company's gross earnings for the month'.

'So if earnings are overstated by a couple thousand dollars, what difference does that make to her pay check'?

'It's much more than a thousand. One month it was \$20,000 and another month it was about \$40,000!'

'So over a year's time, how much would she benefit'?

'I estimate that if she overstates income by an average of \$30,000 per month, she would pocket an additional \$1,000 for the year'.

'That is not a lot when compared to the price she would pay if she got caught. So why else would she do this'?

'The answer that comes to mind is that she is using her anger to cover her lack of commitment to proper ethics'.

'One more time, why would she risk so much for so little'?

Linda froze and slapped her forehead. 'Every non-management employee has the same incentive. We are overpaying bonuses to everyone. This is her revenge!' Linda chuckled, mostly to ease the tension of what she had just discovered.

I said, 'I would say then, besides her anger, the way that your bonus pool is structured contributes to this problem. Would you like some suggestions?'

Linda pleaded, 'I thought you would never ask'.

In a sombre voice, I said, 'My first suggestion is that you confront Valerie once you have enough evidence. The second thing you must do is check if other employees are engaging in this revenue padding game. With the incentive structured that way they might be tempted to. Thirdly, you must change your flawed reward system'.

Linda was resistant to altering the incentive plan as she believed it was a valuable way to motivate employees to focus on revenue growth. I did not push too hard on this issue. She would need to experience more vexation before recognising the need for change. Even change agents have blind spots.

For the next hour we talked about rewards and incentives and how they can inadvertently foster unethical behaviours. I also shared an experience of widespread unethical practices involving management in another company.

Story—Ambushed by Shifty Executives

You may have heard this adage: Learn from your successes as well as your failures.

I have shared some success stories that contributed to my mastery of change management. This is a story that I am not proud of, yet it was valuable for my professional growth. I was taken advantage of by people who lacked integrity, and yet I failed to see the signals.

I received a call from an acquaintance who worked for a rental car company. I will dub the client 'Shafty' to hide the identity. The leaders of Shafty were having severe problems with customer service. They were surprised that recent survey results showed poor service standards when compared to the competition. The widespread customer dissatisfaction got management's attention and they wanted to make some changes.

My acquaintance thought that I would be able to assist her organisation in shifting its culture. She mentioned that I might have a hard time convincing the big boys (as she called the chief executive and chief operating officer) to change. In this story, I refer to them as Moe and Larry, respectively. I should have heeded her disclosure as a sign to pass on the project.

I had dealt with reluctant leaders before, so I suggested holding a test session for all of Shafty's senior executives. I gave them several warnings that once we started to uncover what was preventing a culture of customer service, it would be a long and arduous process. I recall that Moe and Larry were frowning when I said this.

I moved the change project forward. I interviewed a large sample of employees in order to uncover the roadblocks and obstacles to superior service. Unsurprisingly, the primary obstacles to great service were Moe and Larry.

The leadership team felt that a one-day retreat with all managers in attendance would be the venue to introduce my recommended improvements. The goal of this retreat was to develop an employee-built action plan. Larry told me I had all the time I needed, and instructed me to focus on getting employees to commit to their own plan.

The night before my presentation, where I would present the results of my survey and offer suggestions to transform the culture, I had a one-on-one chat with Larry. I pressed, 'Are you committed to making the changes that would be in the best interests of the employees and customers?'

He assured me, 'Yes I am. That was why we hired you'.

At some point I had lost my objectivity and intuition, and I believed him.

At the retreat, I began my presentation with the internal survey findings and stated, 'What happens in this room today will be a reflection of your existing culture'. Without any hesitation and in front of the company's managers, I asked Moe and Larry a critical question that was also on the minds of the attendees.

'The crux of the problem that contributes to poor service is very simple. Nearly every manager in this room feels that he or she has to make a choice between profits or quality of service. The message they consistently receive from the two of you is profits are more important than service'. I continued, 'What are you willing to change so that you emphasise service? What can you do to support the managers so they can consistently put service ahead of profits?'

From the shocked look on their faces, you would have thought that I asked Moe and Larry to take their clothes off and juggle lit matches. Moe's brother, Curly, a silent owner of Shafty, was at the retreat and he immediately started to question my methods and demean my assessment in front of everyone. Larry protested that an emphasis on profits was not true, but several assertive managers responded that it was true. The retreat disintegrated into a shouting match.

The tension was thick, but I allowed several employees to comment on the emphasis on profits over service. Then we took a lunch break. Moe, Larry, and Curly approached me and asked 'What the heck is going on?' I mentioned that this tension and anger was a reflection of their current culture. I promised to defuse the tension quickly so that we could craft an action plan.

The afternoon session went as planned except for two unexpected developments.

First, the tension stayed in the room and was fostered by Moe and Curly glaring in my direction, which I did not acknowledge. We developed an action plan that was designed to improve service and make needed improvements in the company's culture. I was about to close on a positive note when the second incident developed. Larry got out of his chair and walked over to the flip chart, saying, 'Our time is almost up and we need to get out of here'. He tore off the sheets of paper that contained the employees' action plan. He then crafted his own action plan of what he wanted the managers to do to improve customer service.

Only later did I realise what had happened. I had been used. Larry had his own plan, but he knew that the employees would resist it, so I was his tool to get his plan out in the open. I became the scapegoat for why the employees' plan was unrealistic, because it failed to enhance profits!

I had promised Shafty's managers and executives to be a catalyst for change, and I was, though not in the manner I had planned. I later realised that how I was treated paralleled the treatment Shafty's customers receive.

The owners of Shafty owned several new car dealerships in the area. Several years after the retreat, an investigation conducted by the state's attorney general found that several of the managers and sales people at the dealerships engaged in consumer fraud. These practices of bait and switch, price gouging, and misappropriation of customer money had been going on for years, long before this retreat. Moe and Curly claimed they knew nothing about this, but because they established the culture and set the tone at the top, it was simply a case of employees carrying out their marching orders: to put the company's bottom line ahead of the customer.

Back to Linda

Before we parted, I said, 'I want you to complete a tool that I will send you as soon as I get back to the office. The tool will indicate other weaknesses in your culture that could lead to ethical lapses, and focuses on your management team.'

Linda and I kept in touch regarding the issues with Valerie. She reported that Celia uncovered another employee, a member of her executive team, who was suspected of playing the inflated revenues game. Whether or not there was a connection to Valerie's actions was unknown. Linda admitted, 'I can see now that we must change how we reward people regarding their contributions to revenue growth'.

I asked, 'What are you doing about the executive?'

She replied, 'Because we lack sufficient proof, we put him on notice and demoted him. We relieved him of all responsibilities where he could influence revenue entries.'

A Better Compensation Plan

At Linda's request, I led a brainstorming session with Celia, Zachary, and two senior executives—one from marketing and the other from operations—to design a new compensation programme, one that would reward ethical behaviours and penalise unethical ones. Linda was satisfied with the group's proposed improvement plan.

A few weeks later, Linda sent an e-mail to inform me that both Valerie and the demoted executive resigned. She wrote, 'Our new incentive plan is being launched. There were a few bugs to work out, but I feel it should put the focus where it needs to be. Celia suggested some qualitative metrics that would measure each person's contribution to the bottom line. We are working on aligning the reward with the metrics.'

Two Days Later

'I can see I have a serious problem with my team'. Linda paused. 'Let me restate that correctly. I have good people on my team, but we lack the infrastructure'. Linda handed me her completed rules of engagement assessment tool.

I studied the document. 'It makes sense. Looking at the problems you had with Jasper, Raymond, and then Valerie, I sensed a theme'. I looked at her directly. 'What is missing? What do you need to do about this?'

Linda sighed and stood up. This truth about her team management skills had hurt her pride. I let her feel the frustration so it would motivate her. 'I thought I was a good team leader, but...' I could sense she needed assistance.

'I see this problem quite often with both new and accomplished executives. You have risen to the top on your own merits. You are talented and know what you want and can manifest that mostly through your skills, abilities, and drive. But now you have a team of executives to lead and they need to be the ones to manifest the results and achieve the goals you set'.

She nodded.

'You can only be successful as chief executive through other people and their efforts. You cannot do the work for them because they need to own the goals and the fruits of their efforts'.

'But I thought I was a good leader of people', Linda stated peevishly.

'You are a good leader in an organisational sense, and you need to enhance your skills to lead the people who manage parts of the organisation'. I could tell she did not completely understand.

'Here is an analogy from baseball. In the early days of baseball, it was not unusual for teams to have a player-manager. This was usually a gifted player who everyone looked to for guidance and direction. Because he was a player and exercised, batted, and got hurt like everyone else, he had instant credibility with his teammates. They paid attention to his guidance.'

‘But this practice was stopped for two reasons. First, as baseball got more complicated, it took the work of many people to manage the team and soon each team had specialists focusing on different parts of the game. The second reason this practice ended had to do with the skills of the player-manager. Although he was a great player and leader on the field, he turned out to be a poor manager once he got off the field and sat in the dugout to manage. He suffered from the Peter Principle.

‘Once he left the field, he could not manage the team in the same way. His view of the players and the game was very different and all of them who tried could not adapt to this very different point of reference to the game’.

Linda asked, ‘So I am this player-manager in your story, right?’

‘That’s correct. My point is this. You used to be a player—as CFO, lender, and operations manager. You were on the playfield each day and knew what it took to lead in that realm. Today, you are managing from the dugout—this office—and you have not quite adjusted to your new perspective’.

‘And the only way I can help the team win, rather, help the company succeed, is to focus on leading my team more effectively’.

‘Yes, and because you saw this insight, you are a long way from succumbing to the Peter Principle. There is one more lesson from my baseball metaphor that relates to you and your team, which is more subtle.

‘Remember I said that baseball became more complex and that led to the rise of specialty managers’? Linda nodded. ‘You were a specialty player-manager as CFO, front line manager, and loan officer. But as chief executive your game is much more complex and you have the specialists working for and reporting to you. Because you cannot be on the playing field, you must rely on them to be your ears and eyes and field coaches so you can manage the entire game’.

Linda added, ‘And I would guess that some of those specialty managers could not make the cut as a general manager, right? That’s what I am worried about. I was a good specialty manager and now I must be a good general manager. Will I make the cut?’ She frowned.

‘The only way to find out is to make your team stronger so you can devote more time to being a general manager’.

Natural Law of Change #20

You can always instigate a change in and for people, but if you fail to state the problem accurately, the change will not be what is needed.

Change agents like to take action, but you will be defeated if you act before you are ready.

Recall Change Agent Principle #10: Your Assumptions Drive Everything. This is important because the way you and others define a problem or issue that needs addressing will determine the solution you seek and implement. This change agent tool prevents faulty assumptions and biases from interfering with your efforts to find the best solution.

Biases Hide Real Solutions

How you analyse a problem determines whether you find a solution and the quality of that solution. Often in hindsight you will find that your initial definition of the problem was off the mark. The reasons you did not solve the problem are every problem can be viewed or perceived from conflicting perspectives, biases are the unseen killer of the objective truth about the problem, and biases determine your perspective, which drives your analysis, which generates your conclusions, which define your recommendations.

Therefore, as a change agent you must identify any biases you and others have from the outset long before you work on finding solutions. Notice in our next case how easy it can be to spot other's prejudgements about an issue that is causing pain.

Example: Biased Reasoning

This frustrated couple is having a conversation about their daughter.

Mom: Kirsten does not apply herself.

Dad: I know. Her mind wanders. She wastes time instead of studying. She really isn't interested.

Mom: I'm tired of nagging her all the time.

Dad: Me too. But it does not seem to have any effect on her. She just ignores my advice.

Mom: Maybe she needs tutoring in how to study.

Dad: No. I think she should be grounded until her grades improve.

Mom: Maybe she prefers one-on-one help. Her class is huge.

Dad: You are too soft on her. She only responds to tough love.

Mom: No she does not. She doesn't respond to anything.

Dad: You're right. Tutoring wouldn't hurt. She has terrible study habits.

Mom: She has become so lazy.

Dad: I'll bet she has one of those teachers who should have retired long ago.

Mom: I'll call the school tomorrow and arrange for a tutor.

Dad: Good. I'm sure it will help her.

Mom: If it doesn't, I don't know what to do.

Dad: I do. No cell phone. No computer. No television. No visits to friends.

Mom: That reminds me. I'll be gone every night next week so you'll have to fight the homework wars with Kirsten.

Dad: Not tonight. I am bored here so I'm headed out.

Consider the following questions:

- How did the parents define the problem?
- Are a lack of interest and mind wandering the real problem?
- What are the parents' biases about their daughter?
- At what point in this analysis did their conclusions get derailed?
- Did the parents take responsibility for the problem or distance themselves from it?
- Are they accountable for their daughter's behaviours?
- Are they putting the blame on someone else?
- What are other ways to see this issue?
- What other causes could the parents have missed?

I will respond to the last question. What the parents neglected to consider are problems that range from biological (for example, a learning disability or dyslexia), to intelligence related (for example, school work is too easy or too difficult), to social (for example, being bullied or ostracised), to structural (for example, cannot see the board or the teacher is ineffective), to behavioural (for example, skipping classes or wants attention), or to emotional (for example, experiencing isolation or feeling unloved).

Even if the tutoring provides a bandage, it does not address the root causes because the parents have not done the work necessary to define the real issue, therefore missing the opportunity to improve the situation.

Although this is a personal example, people all throughout your organisation do the same thing daily. They use shallow, biased analyses to solve problems, large and small. It is not surprising that previous improvement efforts did not have much of an impact.

How to Get to the Real Cause of an Issue or Problem

The real issues are hard to find and may be hidden because of the following:

- *Excessive ego.* Often the people at the root cause are in denial about their contribution and accountability, like Kirsten's parents, and their ego prevents them from seeing the reality of the situation.
- *Fear of failure.* Similar to the ego problem, contributors or those affected feel helpless in dealing with the problem, so they put up a barrier for protection.
- *Fear of incompetence.* Humans need to feel competent and will use barriers to hide their inability to solve problems.
- *True incompetence.* No one is perfect, yet people with overinflated egos do irrational things to hide their incompetence.
- *Game playing for power or influence.* People in positions of authority may be driven by the need for power and influence. If they feel they are being challenged or their authority might be taken away, they put up barriers or manufacture problems to prove how much they are needed. Notice how Kirsten's father prefers to use punitive measures to correct her behaviour.

- *Sacred cows*. People will do almost anything to protect those things they believe to be exempt from criticism, including inventing problems, or ignoring or aggravating existing problems. Kirsten's parents put their own needs ahead of their daughter's needs.

Tool #6: Problem Restatement offers solutions on how to approach a problem from multiple points of view. This vital change agent tool can be found in the downloadable content that accompanies this book. To demonstrate how this tool can help you get past biases, judgements, and blind spots, carefully study this next case.

Example: New Technology Not Being Used

Your company just invested in a leading edge enterprise data management system with the goal of getting employees to use it in their decisions and daily activity. The system (if used properly) will tag e-mails, spreadsheets, memos, correspondence, policies, and other business data so employees can quickly access the information. The tagging system allows the user to find everything pertinent to a customer, employee, vendor, product, data entry, or topic using a Web browser. Acting like an internet search engine, it provides the user access to all the items with the specific tag. For the system to work as designed, employees must first log in before composing and sending e-mails, filling out electronic time cards and expense reports, preparing customer quotes, completing customer call reports and collection calls, creating and editing spreadsheets, posting transactions, and composing Word documents.

Only employees from accounting and purchasing are logging in and using the system for accounting related transactions. Even though employees are still doing their daily work (e-mails, spreadsheets, documents, quotes, and forms), over 90 per cent forget to log in to the system first. Six months after rolling it out, the chief information officer gives a status report, informing the senior staff, 'I estimate that only 15 per cent of the information is now being entered. Even when our employees use the system they don't enter the tags properly (for example, forget to tag, use incorrect tags, or don't use enough tags)'. He angrily tells the executive committee, 'Unless we can get employees to use the system, the \$1.8 million we spent was wasted!' That got their attention.

The executive committee decides to remove this problem so they convene a task force of employees from across the company to tackle it. The task force convenes and is told, 'We need a way of making sure employees use the system. Your responsibility is to devise alternative ways of forcing employees to use the system in all their work so we can determine which solutions to implement'.

The task force comes up with six different alternatives that penalise employees for not using the system.

Consider the following questions:

- How did the problem statement or definition affect the task force's solutions?
- How did the task force's charter affect the way they looked at the problem?
- What are other ways to view and define this problem?
- How would you know if forced compliance would result in employees using the system?
- How would you know if the system is poorly designed and employees are more productive by not using it?

The definition of their problem and resulting goal was severely limiting and reveals why the approach to solving it focused on forced compliance through punitive measures.

Just as in the example of Kirsten's parents, more work was required to uncover the real problem and then find a permanent solution, instead of applying a temporary bandage.

The problem restatement tool will be invaluable for crafting effective solutions. It works like a microscope with multiple lenses and filters. One lens can be a micro view and another can be a macro view. One filter can be used to examine the problem through the human factor, another through your systems and processes, and the third filter could be a financial point of view. It is easy to use the problem restatement tool when you get into the habit of following these eight steps.

Natural Law of Change #21

When people clearly understand their responsibilities and the reasons for them, they are more likely to take those responsibilities seriously and focus on the outcome rather than the process.

As you know, change of any kind fosters confusion and chaos. When you choose to restructure job duties, roles, authority, and introduce new skills, it is both vital and crucial to quickly get past the confusion brought on by large and small change events.

Often, people are unsure about what others are supposed to be doing, especially in times of confusion brought about by sudden growth or contraction, a merger, consolidation, reorganisation, and other business transformations. There may be a perception that co-workers are failing to do their jobs, or that key actions, decisions, and even people are falling through the cracks. There may be duplication of effort as several people unknowingly work on the same thing.

Where Should the Buck Stop?

Based upon my consulting work, when it comes to employee accountability, the three top complaints executives have about employees are as follows:

1. My employees don't always follow through on their commitments.
2. I cannot easily identify the employee who is responsible for this [action or decision].
3. I cannot find out what led to a bad decision. The response I get from those involved is, 'Things happened'. That's not an acceptable reason!

Even management employees will hesitate to introduce needed change because of the confusion you learned about in stages II and III of the human learning curve. I repeatedly hear excuses such as the following:

- I don't want to shake things up because accountability will be weakened.
- If we adjust or improve roles (through delegation and empowerment) I want to make sure this delegation of authority works.
- If we change these roles, I don't want employees tripping over one another (due to role confusion) like what is happening now.
- I want someone besides me to own the final accountability for this [action or decision].

Responsibility charting will help you alleviate role confusion, responsibility overlaps, and accountability gaps.

Tool #7: Responsibility Charts discusses the benefits of charting. It will show you exactly where the buck stops! This vital change agent tool can be found in the downloadable content that accompanies this book. To demonstrate how this tool applies, you can understand its use by reading the case study.

Our next example will hit close to home. Study it to see the major improvements that responsibility charting makes for defining who is accountable.

Example: Empowering Accounting Employees

You have been asked by the CFO to reorganise responsibilities for the general ledger closing process. Suzy complains, 'I spend too much time each month in detail analysis work that should be handled by Ben (the controller) or Charlie (the general ledger supervisor)'.

When you talk to Ben, he says, 'I cannot get Charlie's people to do their work accurately. We make so many correcting entries each month that I spend half my time opening and reclosing the general ledger. I don't have time to do the detailed analysis that Suzy wants'.

In an interview with Charlie and John (accounting lead) regarding the general ledger closing process, they have the same complaint: 'Our accounting specialists pass all their problems onto us and take no responsibility for anything they produce, and the accountants in the field send us nonsense. We waste valuable time each month correcting the data from their spreadsheets. Even worse, what they give us is always late'.

The Painful Problem

Clearly there is an accountability problem that negatively impacts everyone's workload.

Having learned about a great tool called responsibility charting, you think, 'If I can use it to shift the levels of responsibility, I believe that we can improve the process with less error correcting'.

After conducting sufficient research about how the closing process currently works, you have enough information to develop a responsibility chart on it. You concentrate on the major tasks that should improve the accuracy and auditability. Your work product is shown in the following figure.

Responsibility Chart for Job Tasks

[How things work now]

Control Purpose To ensure each entry in the company general ledger is accurate and supported

Role →	CFO	Controller	GL Supervisor	Lead	Accounting Specialist	Field Accountant
Responsibility →	<i>final GL accountability</i>	<i>final GL and supporting docs accuracy</i>	<i>entry accuracy</i>	<i>employee timeliness & accuracy</i>	<i>audible documentation</i>	<i>timely submission & maintain supporting docs</i>
Task						
<i>Maintain GL support (spreadsheet)</i>					●	●
<i>Approve GL entry</i>		●				
<i>Approve documentation</i>		●				
<i>Enter entry in GL</i>			●			
<i>Run (Rerun) GL</i>			●			
<i>Look for errors and discrepancies</i>		●				
<i>Suggest correcting entry</i>					●	●
<i>Approve correct entry</i>			●			
<i>Enter correcting entry</i>				●		
<i>Final approval of GL</i>	●					

Because you are not concerned yet about responsibility versus accountability, you simply place bullets to designate who is doing the work described in the left column. After the chart is completed, you walk through it with each employee—Suzy, Ben, Charlie, John, Chris and Patty (accounting specialists), and Harold (field accountant)—to ensure this accurately describes the process currently in place. Everyone agrees with it.

Your next step is to go from 'how things work now' to a well-designed process that places accountability exactly where it should go (according to Suzy) and delegate responsibility to the employees closest to the action. This change means that the employees—John, Chris, Patty, and Harold—will now be held accountable for the quality and timeliness of their work products. This improvement, you hope, will end the buck-passing game.

You start with the end in mind, which becomes the purpose of the new responsibility chart. With an eye toward a balance between empowerment and control, you set the purpose: To ensure that each entry in our company's general ledger is accurate and supported. The goal is to reorganise the system so information goes into the general ledger accurately the first time, thus ending both correcting entries caused by bad data and seeking out errors only after the general ledger is run.

You then describe each major activity so that it shows the outcome and its quality rather than the task. You list those in the left column of your new responsibility chart. You, with Suzy's and Ben's input, place responsibility and accountability where it should go. In this long meeting, you listen quietly as Suzy and Ben fight over ultimate accountability. Suzy believes it belongs to Ben and, to no surprise, he is of the opinion that it rests with Suzy.

Using your excellent facilitative skills and by asking repeatedly, 'Who will the chief executive fire if...' you arrive at reasonable assumptions regarding where the buck stops for each major section of the general ledger closing process. Your final product is shown in the following figure.

[How the improved system should work]

Control Purpose To ensure each entry in the company general ledger is accurate and supported

Role →	CFO	Controller	GL Supervisor	Lead	Accounting Specialist	Field Accountant
Key actions						
<i>Maintain GL support (spreadsheet)</i>				A	R	R
<i>Migrate GL entry from spreadsheet</i>				A	R	R
<i>Verify authenticity of entry or correction</i>		S	S	C	A	A
<i>Test GL accuracy with probability analysis</i>		A	R	C	S	S
<i>Look for errors & discrepancies</i>		A	R	R	R	S
<i>Conduct first & only GL run</i>		A	R	C	BI	
<i>Conduct sniff test on GL using 80/20</i>		BI	A/R	C		
<i>Audit supporting data randomly</i>		BI	A	R	R	R

Role →	CFO	Controller	GL Supervisor	Lead	Accounting Specialist	Field Accountant
<i>Verify training & update as needed</i>	BI	A	R	BI	BI	BI
<i>Perform ratio & qualitative analysis</i>	BI	A/R	R	S	S	S
<i>Sign off on GL</i>	JA	JA				
<i>Conduct lessons learned session on month-end</i>	C	A/BI	R	BI	BI	BI

Responsibility chart legend

A	Accountable	This person has the ultimate accountability for ensuring it gets done properly
JA	Jointly Accountable	Final approval and veto power are shared
R	Responsible	This person has the implicit authority to carry out the duties and go beyond them should the conditions require expansion of responsibilities
C	Consult	This person must be kept in the loop and can be solicited for advice
BI	Be In the Loop	This person needs to be informed and included in communications and meetings
S	Support	This person serves in a supporting capacity to the person responsible

But you are not done! The next step in your change plan will be convincing the employees involved to accept their new roles and responsibilities and then define what that looks like.

Chart Creators

Responsibility charting may be completed by the following:

- *The change team as a group.* This method may be somewhat time consuming, but will result in a high degree of commitment and understanding.
- *Those affected by the change.* This may be a bit more efficient. A review by everyone as a group and then obtaining a consensus approval of the chart's content would be an important next step.
- *Each team member.* After each person gives their input, the combined team would then need to confirm areas of agreement and discuss areas of difference to reach final agreement.
- *The change team leader.* Although probably the most efficient method in terms of time, discussion with the whole team is needed to ensure clear understanding and accountability. This method may not result in a high degree of buy-in.

Tool #8: Team Leadership Assessment is an excellent tool to help you gauge if a team leader demonstrates the appropriate skillset to successfully lead their team. This vital change agent tool can be found both in the back of this book and in the downloadable content that accompanies this book. To demonstrate how this tool applies, you can understand its use by reading the case study.

Tony used this leadership assessment tool to grow his abilities.

Case Study of Applying the Team Leadership Assessment—Tony

Recall our fictitious case study characters Linda and Tony. Tony uses a team leadership assessment tool to see where he needs to improve as a team leader.

Tony's Timid Team

At this coaching session, Tony seemed to be full of nervous energy. 'I cannot seem to sleep because I am worried', he told me. 'I have been somewhat successful in integrating the younger members of the team. They seem to like the team concept of interdependence, but the one thing that is holding us back, I think, is that the veteran members of the team do not want their bonuses dependent on the work of the newer members. I am not sure how to address that issue.

'There is a silver lining, though; the entire team supports me in my effort to spend less time in accounting and put more effort into supporting Jocelyn in her role as chief executive. The problem I want to address today is how I apply the team concept in a way that will allow me to focus more on Jocelyn's needs. The idea of asking my group to manage itself as it is today concerns me. Can you show me where to start? After that, let's discuss how I might structure the team in ways that benefits both the long-time members and the newer members. There is still a bit of a dividing line between those two groups, but I am seeing it decrease gradually. If you have ideas on how to remove that schism, I would appreciate it'.

I talked about the concept of the team protocol and the need for having systems and processes in place in order for the team to learn how to be interdependent and successful. 'Even though the team consists of people, it requires a protocol or methodology to know how to work together'. I covered some of the highlights of that structure he needed.

I said, 'My initial recommendation to you is that you uncover those things that you need to work on, your deficiencies so to speak. Once you know what these are you can find someone on your team who could help you overcome them'. I pulled out a sheet of paper. 'It is a self-assessment tool which will help you determine the team leadership areas where you are less competent'.

Satisfied with my explanation, Tony took out a pen and got to work, completing it in about 10 minutes.

'What did you discover about yourself?' I inquired.

'According to this assessment, my shortcomings are (1) an inability to come up with fresh ideas, (2) I spend too much time on the details, and (3) I am uncomfortable with personal issues'.

'That is fairly accurate, based on my observations', I replied. 'You just uncovered valuable information because those are three areas where you could begin to delegate some of your leadership responsibility to members of your team. Who on your team is good at generating ideas? Who would be courageous enough to remind you to stay out of the details? Which of your employees is capable of giving the employees encouragement, because this is something you feel uncomfortable doing? Your next step will be to have a chat with these employees to gauge their interest'.

He nodded.

'I believe that if you continue to implement the team process and use the protocols, you will completely dissolve the border between the long-timers and the newer employees. Your accomplishment is having a self-managing team that keeps you out of the day-to-day weeds so you can stay strategic'.

Tools Designed to Improve Enrolment and Engagement

Change Agent Principles #31 and #32

When choosing goals set for them or setting their own, employees prefer to set their own.

When engaged in the process of setting their own achievable goals, employees become engaged in learning and will buy into those goals more readily.

Universally, when participants in the change are allowed to work out the details, they feel in control and when this happens, they become engaged in finding solutions. As they discover first-hand that the change is not so bad as they had imagined, they start to be enrolled. Although the next two tools, **Tool #9: Rules of Engagement Test** and **Tool #10: Team Engagement Diagnostic** are designed to increase buy-in, nearly all the tools in the book assist in accomplishing that at all levels of your organisation. The detailed description for these vital change agent tools can be found in the downloadable content that accompanies this book.

Tools Designed to Address and Lessen Resistance

Almost all the tools in this book will enable you to detect, plan for, and lessen the naturally occurring resistance people have in shifts or small changes and transformations, and major changes. **Tool #11: Service Standards** and **Tool #12: Ground Rules or Rules of Engagement** are designed to create culture-based mind-sets that turn resistance into compliance. The detailed description for these vital change agent tools can be found in the downloadable content that accompanies this book.

Change Agent Principles #33–35

The level of service the accounting team provides determines the size of the budget dollars allocated to it.

The level of service the accounting team provides determines how much support and respect it receives.

Service levels that are measured will improve.

It is impossible to demand that an employee engage in a desired behaviour unless you define it, communicate it, and then expect it.

Power of Accountability

The most important step in the learning curve of people who are trying to improve the quality of their work is holding each other accountable. This is where the leader sets the tone for the rest of the team by encouraging

each member to be watchful when someone breaks a rule. The leader holds everyone, including themselves, accountable to immediately make the offender aware that he or she went out of bounds. Standards only work well when the offenders understand that they will be notified about breaking a rule through immediate feedback from their peers and colleagues.

If peer pressure does not work as a consequence for not abiding a service standard, then you have two more options. The first is to communicate your concern to the employee for not meeting the standards. This important and often scary talk must be completed in a timely manner. When the employees realise that each time they go out of bounds you will request a private conversation, they will usually think twice before going out of bounds again.

Your next option is to treat the behaviour the same as you would any other violation of company policy. Even if the problem is attitude-related, such as refusing to be respectful to a co-worker, you cannot let the behaviour go unaddressed because it will continue. Violation of your service standards, although not as objectionable as a theft of office supplies, is still a violation that must be addressed right away. If an employee opts out of a service standard and nothing is said or done, it guarantees the employee will continue doing it. Consequently, the employee may test other boundaries to see what else he or she can get away with.

By working through our next case, you will discover how service standards alone do not guarantee conformance to the rules.

Example: Lowering Standards

To illustrate what can happen with standards, I will use a very common standard: the dress code.

Assume that you have been given the task of improving your company's dress code. As change agent, you must study the problem in order to craft a solution so you can deal with the problem immediately and also determine the source to prevent it from recurring.

The Dress Code Policy

Your company's dress code demonstrates a standard that, if not adhered to, will be lowered in a short amount of time. Typically, a company establishes a dress code to enforce an expected standard regarding the clothes that employees are allowed to wear or that support the organisation's desired image.

The reason that your employees do not adhere to this code is because the following situation frequently happens.

The first time an employee dresses in a manner that is not in line with the code, either no one notices or nothing is said to the employee. Another employee, emboldened by seeing someone else getting away with a more casual wear, will follow suit. Other employees notice and they too will dress in what they define as appropriate or feel comfortable wearing.

Later, when somebody with authority notices the drastic decline in professional dress, the employee who is most inappropriately dressed that day is called out. The employee then says, 'But this has been going on for months and no one said anything. Why are you picking on me?'

By this time it is almost too late to do anything without causing tremendous dissension over what is appropriate. The end result is that the official dress code is abandoned and the standards lowered.

What do you think is the real problem? Is it the dress code or an unwillingness to hold employees accountable?

Result of No Enforcement of Standards

As demonstrated in this example, the first time your standard was not adhered to (for example, an employee wears flip-flops or ripped jeans), that behaviour must be challenged immediately. Each time someone else is inappropriately dressed you must remind that person as well. If the clothing item is not addressed by your code, you must immediately update the code and announce the change. Most importantly, if there is any stated consequence or cost for being inappropriately dressed (for example, being sent home to change or losing a day's pay), that consequence must be enforced in each situation, regardless of person or reason.

Unless these enforcement actions take place in a timely manner, the overall standard of dress will deteriorate rapidly and you will be unable to return to the original standard.

Standards regarding how the work is to be carried out can reinforce the values identified in your culture ideals. Due to the human factor, many managers and executives are afraid to hold employees accountable to high behavioural standards.

Natural Laws of Change #22 and #23

People will conform to standards when they are clearly expressed along with the reasons for them.

People will willingly adjust their behaviours to the new standards when they are involved on setting them and the standards are uplifting rather than punitive.

Using Consequences

Your team must establish a specific consequence that applies whenever a member is closed minded, resists change, fails to offer improvement ideas, has a negative attitude, and breaks confidence. This is where you get creative with reminding the team members who did not abide by the rule and not conform with established team standards. An example of a consequence is that everyone avoids cooperating with an employee who will not cooperate. Another consequence is that no one pays attention to an employee with a negative attitude until that person's comments are supportive.

Consequences are predictable outcomes from actions taken. Falling is the consequence for attempting to defy gravity. Poor health is a consequence for not taking care of the body. Having a reputation as untrustworthy is a consequence of lying. No one is punishing you for lying, not exercising, and jumping off a 20-foot cliff. Each result you get—be it a poor reputation, broken leg, or shortness of breath—is the effect for the action you chose to engage in.

People dislike confronting bad behaviours, so your team may have a difficult time creating consequences. They know they could be subject to the consequences and their fear of embarrassment prevents objectivity. Do not let that fear prevent your team from creating consequences.

Tool #13: Evaluation of the Team's Rules Engagement includes a checklist to help you assess if your team has the structure in place to help support a common cause. The detailed description for this vital change agent tool can be found in the downloadable content that accompanies this book.

If you believe you are like Jack and Jill, I have great news. You can be comfortable in dealing with the human factor of change by understanding how people shift. As you help your employees and colleagues acquire new learning, whether it is in the form of new skills, different perspectives, changed roles, or some other shift they need to make, you must work on enrolling and engaging them. When employees are engaged they adapt quickly. When employees are enrolled, they own the revised expectation and shift faster. Always keep in mind the seven phenomena about the scary aspect of dealing with change, which I refer to as the human factor.

As demonstrated in the example of Microsoft's unintended transformation from an innovative leader to a stodgy, bureaucratic, out-of-touch dinosaur, having a change-friendly culture will help your firm stay ahead of its competition and survive all changes taking place in your industry.

Both Linda and Tony found, to their dismay, that change most often has to do with addressing the human factor, which means getting someone to alter his or her behaviour and shift his or her attitude. Having to fire your boss, as Linda did, is something you might face. You may have already found the need to coach your boss on how to be a better one, as Tony did. They each grew in these assignments despite their fear and embarrassment.

Think about how often you sit in a room and feel the urge to hide as people argue needlessly, like in the situation I found myself in. It is these moments when you can be that agent of change.

In the next chapter, you will discover another key factor in managing change: your culture.

I close this chapter with a story about a controller and a powerful change agent who understood the importance of addressing the human factor when asking her employees to shift their thinking and alter their behaviours.

ELSA, A TRUE CHANGE AGENT

A controller who works for a large legal firm in Seattle is a change agent who has over 12 years of management accounting experience with a track record of accomplishments in her organisation. Elsa told me, 'I have 20 people on my staff and experience almost no turnover'. This was obviously something she was proud of.

I was very curious about this because she works in a pressure-filled organisation, and in our profession high turnover is the norm and low turnover is the exception.

I asked Elsa why she was so successful in keeping her employees engaged and how she was capable of dealing with the many changes taking place in her firm. As we talked and she explained her leadership style, I noticed certain things about Elsa that explain how she is able to keep people engaged and enrolled as new assignments and challenges that impact them. Elsa is adept at

-
- treating her employees as intelligent.
 - treating her employees as able and capable.
 - handling a task or assignment herself before delegating any work or new assignments so she can be familiar with it, which helps her know the issues and concerns employees will have.
 - being honest and very direct. She tells employees exactly what she means and her expectations.

Elsa explained, 'My employees do not work for me, I work for them'.

I had the opportunity to interview a few of Elsa's employees. They enjoy working for her and feel that, 'No matter what happens, Elsa will always be there to support us'. Through her honest and direct feedback, these employees always know where they stand and trust that she would not let them struggle or feel incompetent as they experienced change.



4

FOCUS AREA #2—CULTURE

MY GARDEN OF WEEDS

On the first few days of spring I get the urge to venture outside into the infamous Seattle rain and spend time in my garden. I have plenty of energy and desire to plant something new until I see all the weeds that have taken root since the last time I was there. The weeds are choking my flowers and herbs, so I weed and weed and weed until I remove the last one. Due to self-induced amnesia, when I am done with that nasty chore I tell myself, ‘Thank goodness, this will be the last time I have to do that’. By now you are laughing at me because you know weeds are persistent! Seeds and roots left by the ones I just pulled and new airborne ones will start growing as soon as I go back inside.

The same is true of your organisation’s culture. You believe you have a great culture—one where employees live up to your highest ideals, where the customer is well-taken care of, and where innovative solutions are expected and delivered. Right? Now who has amnesia?

Natural Law of Change #24

An unmanaged culture changes for the worse. An unmanaged culture never changes for the better.

In your culture, weeds happen! A weed is anything that chokes or harms your productivity, reputation, profits, and other drivers vital to your firm’s success and longevity.

As much as I dislike the chore of weeding, I must keep doing it year-round because as soon as I stop weeding, weeds find their way into the ground and in a short time, I have a new crop of them. The catch-22 of gardening is that if I ignore the plants, they die, yet if I ignore the weeds they thrive. The same holds true for your garden, which is your culture.

Assume that you just completed your latest culture improvement effort and you congratulate yourself with the thought, ‘This is the last time we need to do that’. You are kidding yourself! Every day your employees face temptations to take short cuts, seek political advantage, practise favouritism, get overly focused on results, adopt a negative attitude, and overlook something critical due to time constraints. If only one employee did something that damages your firm’s integrity and reputation once a week, is that something you could live with? If each of your employees engaged in only one culture damaging behaviour a day, could you comfortably ignore that?

If every employee just upset one customer every hour of every workday, could you sleep peacefully at night? If each of your employees wasted \$100 a day for a year, is that okay with you? I predict your answers are 'No'.

The catch-22 of culture is that if you ignore its defects, they will grow worse, yet if you ignore the good aspects about your culture, they will die out.

Like my weeds, these little deviating story lines that tarnish your culture story are always in the soil or blowing in the wind. That is why every leader must monitor his or her organisation's culture periodically to remove any weeds, or aspects of your culture story that are harmful. I know this fact will sound harsh but it does not lessen the importance of its truth and is why you must proactively manage the culture.

Need for Culture Weeding Never Ends

Natural Law of Change #25

A culture that supports your efforts for excellence must be fine-tuned (weeded) perpetually.

I know you have a few more questions about why culture is a focal point, even for small shifts and improvements. Why do I always have to stay on top of my culture? What happens if I lack the time or the interest in culture?

Change Agent Principle #36

Employees' behaviours, on a continuous basis, define your cultural norms.

This truism means that by shaping employees' behaviours you are actually managing your cultural norms to a large extent. This explains only part of why you weed your garden. To help prevent weeds from returning you must remove them by their roots. You must remove the weeds of harmful behaviours that prevent positive change from taking hold, remove obstacles to a change-friendly mentality, and foster openness to better ideas.

Why Culture Is Your Second Area of Focus

A culture shifts and even transforms when the people in it alter their behaviours, which means until you, as change agent and leader, master the ability to invite and induce people to change, efforts to improve your organisation or team's culture will be harder to accomplish.

NO WALK IN THE PARK

By now you might be thinking, 'If it takes a concerted effort of managers, employees, and executives to transform the culture, what can I do?' My immediate answer is that you can think like a magician. A magician is really an illusionist; an expert who convinces you that you are seeing one thing when in fact you are seeing something else. I am not saying that you deceive or mislead to get influential people to support a culture change. In a culture shift the master change agent gains support by how he or she frames the need for change.

Later, you will learn how the benefit clarification statement tool works to do this. Like an illusionist, you use it to focus the decision makers' attention to the benefits that appeal to their egos and concerns. You take their attention, for the moment, off the cost and aggravations it will take to implement your solutions in order to obtain their approval. The cost and difficulties are still real, but you shift your appeal and presentation in ways that garner the support you need to get started.

The same concept of illusion by refocusing applies on how to get the chief executive's attention by pushing the pain point repeatedly until she says, 'Make it go away'.

Natural Law of Change #26

Selling a culture transformation successfully depends upon how you frame the question.

HOW TO FRAME THE QUESTION OF CULTURE CHANGE

Accountants assume growth means increasing sales or revenues or acquiring more customers. Chief executives have a different definition. Growth to a C-suite executive is the ability to handle more business without the same increase in effort. Chief Executives believe that if employees can easily handle 100 sales transactions per month, then employees can learn to handle 150 or 200 sales transactions. Chief executives believe that if employees commit to excellence by applying what they know and improving their efforts through learning, growth will come easily.

That may seem like an optimistic view, but there are numerous well-documented case studies of organisations in every industry where this occurred. Kaiser Steel, Boeing, General Electric, Electronic Data Systems, Intel, and Apple are just a few illustrations of companies that leveraged learning and improvement to obtain easy-to-handle growth. Chief executives know these success stories and believe they can do what these role models did. This phenomenon even works on people. My young grandson's adoration of his slightly older sister is his catalyst to excel, which results in his embracing change so readily. He is able to grow up faster by learning from her.

As an illusionist, you must frame all your discussions about the need to change the culture around these three chief executive concerns: learning, improving, and growing. If you sent an e-mail to your chief executive stating, 'I have specific ideas on how we can easily generate growth through learning and improving', you will get a positive response.

However, if you tell your chief executive, 'In order to grow without major increases in costs and headcount, we need to change the culture', you will not get a response. You must open the door to a culture change subtly by offering ideas to instil excellence in people and processes. These are your entryways because of their connection points.

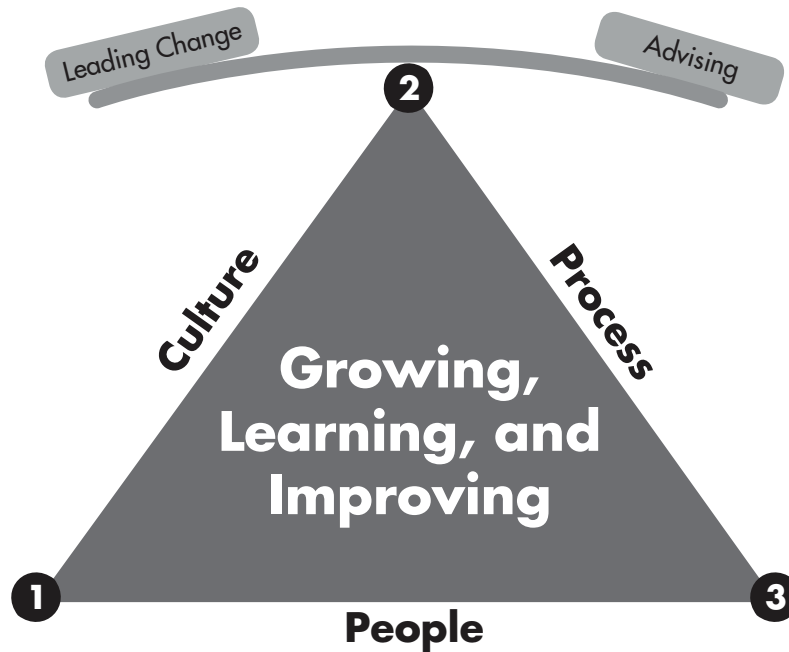
Your Points of Entry

Every organisation has three key connection points for positive change. As you will notice in figure 4-1, the three sides of the triangle represent the focus points of change: people, culture, and process. Notice the

numbers at these connection points. Each number represents an entryway that is a natural invitation to discuss and instigate change in an organisation.

The question you always use for framing a culture shift is ‘How can we grow through learning and improving?’ If you could poll every chief executive across the globe about the importance and value of growth, improvement, and learning in their organisation, you would discover that a majority of them rate growth and improvement as their highest priorities. They would also tell you that they want to impart to their employees the importance of learning from mistakes.

Figure 4-1: Key Connection Points for Positive Change



People to Culture Connection Point. This is the point where the employees intersect with the culture. People working together make up a culture. If you want people to add more value by growing their abilities and knowledge, you must tweak the culture to support that. In your suggestions to the chief executive, you frame your concerns, ideas, and solutions about people improvements and excellence. The moment you get people to shift what they do and how they do it, the culture shifts too.

People to Process Connection Point. This is the point where the employees intersect with your processes. People create and use processes to get their work done. If you want people to become more productive and more efficient, while lowering the cost of doing business, you must tweak the culture to support that. In your suggestions to the chief executive, you frame your concerns, ideas, and solutions about people productivity and process excellence. Again, the moment you get people to add excellence to the systems they use, the culture starts to move towards excellence.

Culture to Process Connection Point. This is the point where your culture intersects with your processes. The overall quality of the processes your people use will determine where employees put their energy and attention. If you want employees to add excellence to their processes by generating greater productivity while reducing waste, you must tweak the culture to support that. In your suggestions to the chief executive, you frame your concerns, ideas, and solutions about process excellence and people's productivity. The minute you start adding excellence to your processes by making them effective and value-adding, the culture begins to shift as well.

The change agent who knows that the culture needs to transform uses the skills of the illusionist. You are simply redirecting the attention of senior executives (who will fund, drive, and support the change) away from culture and onto their hot buttons of growth, learning, and improving.

ALL GOOD CHANGE STARTS WITH THE MISSION

Natural Law of Change #27

Under normal conditions, the impetus for global change in any organisation comes from its mission or stated purpose.

This law goes against conventional wisdom, so I need to explain it. No company ever fully achieves its mission because a mission is part ideal, part dream, and part target. Imagine you are on a long 20-mile hike with a friend and your companion says, 'We will head for that mountain range over to the west'. As you walk mile after mile, you keep the distant mountains in your sights as your directional point. You might deviate to the north or the south, but your bearings will always be towards a specific mountain.

Example: Your Overall Purpose

Your mission is like this distant mountain range; it is your organisation's overriding destination point, and even though you may deviate, you want employees to fixate on it and head for it by fulfilling what this imperative states you will be. Assume that your mission includes one of these statements, culled from actual mission statements.

Our purpose is to

- ensure that each guest receives prompt, professional, friendly, and courteous service. (A restaurant)
- provide the best products with the greatest service possible. (A Web service organisation)
- continuously improve our customer's ability to efficiently manage the lifecycle of data, information, and knowledge. (A consulting firm)
- optimise human potential, increase happiness, and maximise the engagement of people by providing superior solutions for understanding, acquiring, developing, and retaining talent. (A human resource services firm)
- refine our quality, expand our capabilities, increase our efficiency, and elevate the superior level of customer service we now provide to heighten the standard of excellence we have set in the industry. (A melding technology engineering company)
- help members provide quality care efficiently and effectively for the individuals and families we serve. (A long-term care and housing services not-for-profit)

Audit Findings

This year your executives conduct a thorough self-assessment to determine whether or not the company is truly successful. They hire High Road Institute to conduct a culture audit by talking with numerous stakeholders. The audit determines, through many objective means, that you are

- not providing friendly and courteous service.
- not providing the best products or best service.
- not efficiently managing the lifecycle of data.
- not maximising employees' engagement.
- not expanding your capabilities or increasing efficiency.
- not consistently giving professional, informative, loyal, and dedicated service.
- not helping your members provide quality care efficiently and effectively.
- not always your customers' first choice.

Imperative for Change

Each of these tells of a gap between where you are today and where you desire to be (as defined by your mission statement) and the gap means that change must take place. To get back on track, you need to deviate from your current path and find one that will improve the level of service, contribute to leading edge products, manage data better, find better ways to obtain engagement, expand your capabilities, become more productive, serve members in better ways, and excel in the application of your technology.

Getting Back in Alignment

From this bad news and enlightening feedback, your leaders have two choices: (1) sell or dissolve the company, or (2) get refocused on the original mission. As a member of the finance team you automatically know which one is more cost effective: choice (2).

This boils down to one clear change outcome: in a united effort, you must shake up the unsatisfactory status quo in order for you to be where you should be.

I know this example helps you appreciate the importance and vitality of the second change agent tool that you added to your toolkit, namely the gap analysis outlined in chapter 1, 'The Mystery and Misunderstandings About Change'. If there is any discrepancy between where you are today and where you want to be tomorrow, you must change the path you are currently on in order to reach those distant mountains to the west.

CULTURE: THE STORY OF YOUR ORGANISATION

What is culture in an organisational sense? Your organisation's corporate culture can be described as a story. Do you know what your organisation's story is? If you do not, you will be able to define it by the end of this chapter. As a change agent you need to be concerned about this story, which extends beyond the walls of your building. Employees share the story not only with each other but also with customers, prospects, vendors, lenders, and the general public.

If your current story or culture is one of innovative, concerned, accountable, and contributing employees, little change is required. However, if you are like many employers, your story is one that tells of resistance, silos, information hoarding, miscommunication, unsupportive managers, disaffected workers, and weak accountability! If any of these latter descriptors touch close to home, then it is no mystery why culture is a necessary focal point. If the work your employees currently transact does not further the mission and foster growth through constant improvement, embedded in your story are the reasons why this is not happening!

Change Agent Principles #37–39

Changing the culture means having people throughout the organisation choose to change their behaviours.

Assessing and monitoring your culture will give you information about how your employees view change.

Assessing and monitoring your culture will give you information on how your organisation values have shifted.

Culture Basics

Workplace culture is the mood, attitude, and atmosphere of an organisation. It is the story of who you are, as enacted by each employee. A shorthand way of describing culture is ‘how things are done around here’.

Culture is instinctual in us; any time two or three people join to work together on something, they create a culture. It is something that we do naturally. What you may not know about culture, even though you have a good intuitive sense of what it is, is that culture is a unique story made up of 10 plotlines that give it an intangible aura yet measurable quality made up of these interrelated pieces. The culture puzzle coming up shows you these 10 plotlines. They all must be in place for the puzzle to exist and they must create a cohesive picture or story for an organisation to be considered functional and healthy. No two puzzles are alike; they all differ. In a large decentralised organisation there will be different culture stories told by employees in different business units or locations.

Managing a culture is working to get everyone to tell the same story consistently and ensure that the story reflects your values and the highest cultural ideals.

The culture or environment of an organisation is a direct reflection of the attitudes and actions of its leaders, so whatever culture you have now, it is one the leaders have chosen, either consciously or unconsciously. Organisations have personalities and attitudes just like people. Your company’s attitude shows up in how employees choose to handle work they do. Employees’ attitudes are largely a product of the culture they work in because new employees want to fit in so they quickly learn how to act by modelling the behaviour of their peers and supervisor. History can be a major factor in culture’s story because people remember how it was, have long memories, and are reluctant to change. People are affected by the employer’s culture, which either builds them up and engages them or pushes them away.

You will understand your firm’s culture by obtaining honest answers to the following questions:

- How is change handled?

- How are new or innovative ideas dealt with?
- How are employees rewarded and for what?
- How is poor or faulty communication handled?
- How is dishonesty dealt with?
- How are the goals set?
- How are goals achieved?
- How hard will employees push to achieve their individual goals?
- How do the leaders deal with managers who fail to follow the rules?
- How are managers who make ethical decisions recognised?

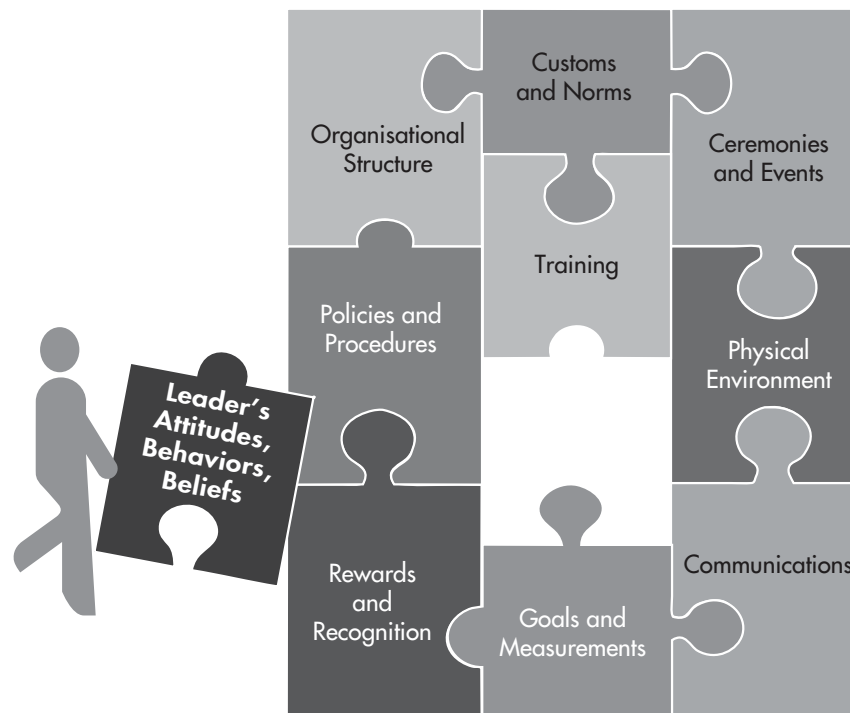
The answers to questions such as these will tell you all about your operational dynamics. As you saw in the three principles, the culture has a significant impact on the organisation.

Components of Culture

Culture, also known as operational dynamics, refers to how people communicate, cooperate, and co-ordinate. It is a fundamental way of producing the innovation and fresh ideas needed to keep a business strong and healthy. Understanding what works to help or hinder operational dynamics is the key to leading with intention.

I define culture overall as a puzzle of 10 different plotlines that form into a quasi-visible aura that envelops your organisation. These 10 components meld together where each one affects the others and touches all of them. Figure 4-2 shows the 10 different plotlines that make up your cultural puzzle and how they fit together.

Figure 4-2: Culture Puzzle



The most important piece of every culture puzzle is the leader's attitudes, behaviours, and beliefs. This leader can be one person, a team, or a family. As you learn how a culture gets formed, you will better understand the golden rule of organisational change covered in chapter 3, 'Focus Area #1—People'.

The visible part, although subjective, is something you can see, feel, touch, and even measure. The story employees tell and enact leave visible clues. These visible clues within your culture will tell you what your organisation's story is like and what the story says about people's openness to new ideas and creative solutions. As the leader, the areas that you need to examine carefully include the following outcomes, each of which pinpoint employees' behaviours and attitudes:

- Employee morale
- Employee attitudes
- Employee language
- Employee sense of urgency
- Level of cooperation amongst employees and with stakeholders
- Level of loyalty
- Level of integrity
- Level of fun
- Level of trust
- Level of openness and honesty
- People's commitment to ethics and standards
- Turnover rates
- Your firm's internal reputation

How a Culture Story Is Written

When individuals decide to form an organisation or start a business, they gather other people around them who have a similar mind-set. You have heard employees describe their employer this way: 'We are like a family'. This describes a firm that consists of like-minded people sharing the same values and visions. All business starts out this way, even Wal-Mart, IBM, and Ford Motors.

Then, as the organisation grows and the leader matures and realises the need for additional help, he or she installs channels of communication. The firm grows into different physical locations, each with its own environment. The leader will set rules and policies to shape other people's behaviours. The organisation sets goals and tools to measure those goals. Because of the desire to reward people for their efforts and maybe share the profits, awards, and recognition programmes are established. The leader creates an organisational structure hierarchy because people have to fill specific slots, wear fewer hats, or take on certain roles. To boost morale, leaders sponsor activities such as a holiday party, company picnic, or monthly potluck birthday celebrations. Sometimes on their own or with guidance, employees start forming customs and norms, like the end-of-the-month socials or casual Fridays. The core of any culture is still the leader's attitudes, behaviours, and beliefs. This culture story, intentionally designed or not, gets retold every day by leaders to employees and from one employee to another through behaviours, decisions, and practices.

As the company further grows and matures, the principal leader decides to hire professional managers because current leaders cannot do everything themselves. New leaders come in and start putting their DNA imprint on the culture with new attitudes, behaviours, and beliefs. Even if this occurs it can take years for the attitude, behaviour, and belief of the original founder to be fully displaced.

Example: Microsoft

Bill Gates has not been Microsoft's chief executive since January 2000, when he turned the reins of his company over to another leader, Steve Ballmer. Yet, even today, there is still a lot of Bill Gates in Microsoft's culture story.

Managing a Culture Must Never Be Downplayed

In essence, culture is important because your culture brings forth success and failure with equal efficiency. This also applies to the tone that your leaders attempt to set, such as being change-friendly. If the leadership body ignores the culture outlined in figure 4-2, the culture will shift in unexpected ways, like a garden that is ignored. Your organisation's culture story has the ability to hide resistance to change and an unfavourable status quo. If your leaders are listening to the story being carried out, the plotlines will expose resistance and highlight areas that need improving.

In essence, managing your culture can support your efforts to initiate change or pronounce it dead on arrival (DOA). Knowing about your firm's culture story is important because the culture needs to expose vulnerabilities rather than hide them. Think what could happen if your employees were not honest about all the things that detract from customer service, reputation, and profitability.

Impact of Culture on Success

Natural Law of Change #28

Successful change plans, at any level, require that all transformations clearly reflect and connect to the organisation's cultural ideals.

There are a number of conditions that indicate that something has gone wrong with your culture story. Your culture must be connected to your mission statement or corporate purpose, so if any of these conditions go against what your organisation's mission purports to be, change must take place. Box 4-1 outlines a list of stories with potentially disastrous endings.

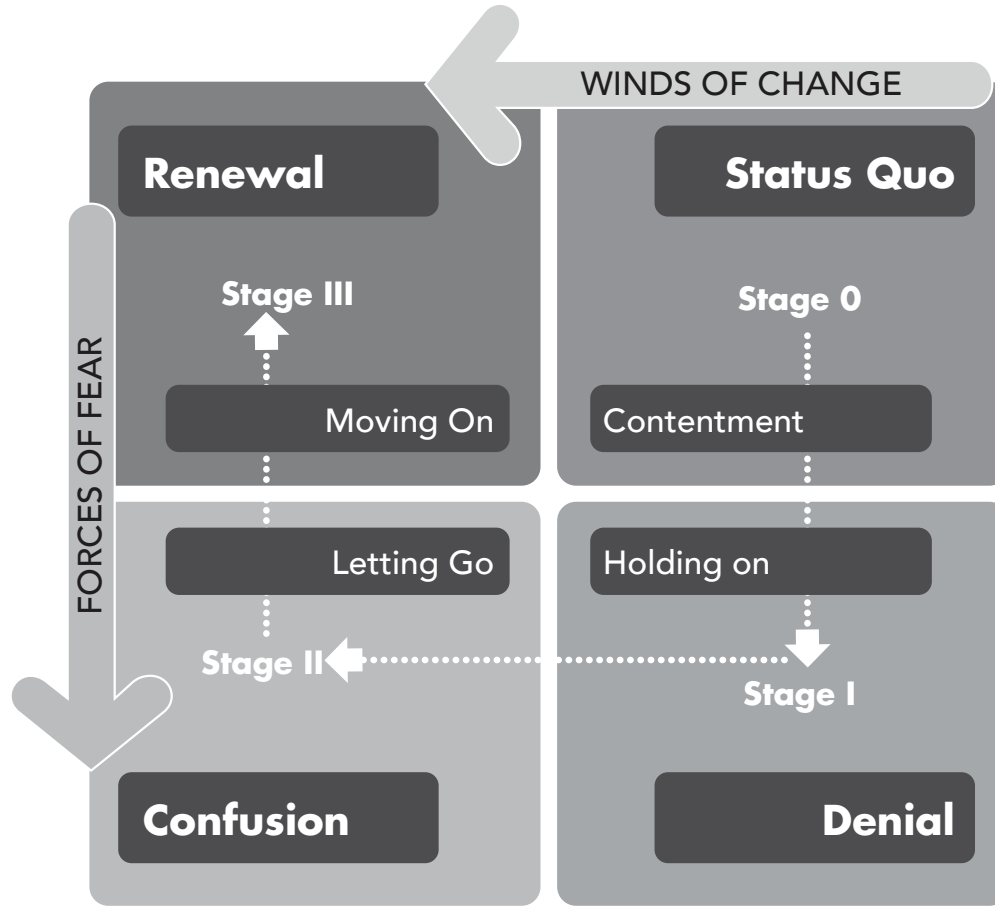
Box 4-1: Storylines With Potentially Bad Endings

- Low productivity
- Unskilled employees
- Substandard profits
- High employee turnover
- Poor reputation
- Employee unhappiness
- Defection of major customers or clients
- Overly high cost structure
- Weak leadership
- Corporate dysfunction
- Us versus them turf wars
- Lack of planning
- Poor decision-making

HOW AN ORGANISATION TRANSFORMS

Before we explore the methods for transformations, you need to have a better understanding of how your organisation learns in order to shift its culture and the role the leaders must play in supporting the transition. When you study figure 4-3, which represents how an organisation shifts as it undergoes learning, you will fully understand the native parallel between how people learn and how organisations learn.

Figure 4-3: Organisational Learning Curve



As with people, an organisation experiences four distinct and overlapping stages in its learning process:

Stage 0—Status Quo. Leaders believe everything is okay and nothing needs to improve. The company is as excellent as it can be. Contentment and complacency are part of the culture story being enacted and rewarded.

Stage I—Denial. The winds of change wait for no one. Although an individual might be able to bury his or her head in the sand and ignore the forces of change for a long period of time, business organisations do not have that luxury because they are beholden to investors, bankers, creditors, suppliers, and customers who also feel the winds of change. Recall the falling stock prices of public companies that refuse to keep up with the times (see AOL, Time Warner, Sears, K-Mart, Atari, Palm, and Chrysler). In this stage, even though executives talk about the need, they perceive the cost to undergo any shift as too steep or the need minimal. There is a lot of talk but little action. Employees follow the lead of their role models and hold on to an unsatisfactory status quo.

Stage II—Confusion. Finally the pain grows so intense executives or managers start doing something, anything, to relieve it. This diffused and unfocused energy leads to a state of confusion and sometimes chaos. Even though people attempt to let go of the status quo, they keep wistfully looking back to the past because they lack a vision of where to go and a plan of what to do. The sooner your executive team completes a plan and sells the vision of a better tomorrow, the sooner your employees get past the fear and start working out the details.

Stage III—Renewal. By engaging in hard work while combating stress, frustration, and fear, the organisation finally arrives at the next stage of renewal. By now your employees have embraced a new culture story and are doing their best to enact it. Remember this, as you learned in chapter 1, ‘The Mystery and Misunderstandings About Change,’ this stage is only temporary because the winds of change continue to blow.

Figure 4-3 also shows two other components of the organisational learning curve:

1. *Winds of Change.* The catalyst for this transformation communicates to people in the organisation that growth, learning, and improvement must take place. If this was a perfect world, that message alone would get your organisation to move from stage 0 to stage III.
2. *Forces of Fear.* Companies have egos in the form of image and current culture story, both which generate leadership reluctance and a wide-spread cultural resistance to change. Leaders who have a bureaucratic mentality are heavily invested in maintaining the status quo of stage 0.

LEADERSHIP AND CULTURE TRANSFORMATION

Of course, as the agent of change, you too will react to a culture shift in different ways depending upon what you are being asked to change or improve. You may embrace it quickly or need time. You may need more background information, or you might understand what’s expected immediately. You might need someone to coach you. Keep in mind this next reality about change.

Natural Law of Change #29

People take their cues about reacting to change by the reaction of those in charge.

We now explore this law a little more.

Transformational Leader Versus Bureaucrat

If every organisation was led by transformational leaders, a culture transformation would not take six years. This sort of leader is not always valued or encouraged. The majority of people in leadership positions today are bureaucratic leaders. In the accounting profession, few finance executives have the characteristics of a transformational leader. This is a contributing factor to why the accounting profession’s transformation mentioned in chapter 2, ‘The Change Agent’s Package’ is taking so long.

Transformational leaders have an opinion on how to make improvements, even those things he or she is not responsible for. A transformational leader is a person who is never satisfied with how things are. They see things as incomplete or flawed. It is not a negative trait; in fact it is thinking about possibilities in action. They see a process not working and think, ‘There is a better way’. They see a supervisor make a poor decision and believe,

'I would have considered this before making that mistake'. When they get frustrated with poor service, they think, 'If I was in charge here, I would make sure that customers come first'. It is the transformational leader's ability to see past the status quo with clarity that drives his or her desire for excellence and innovation.

The transformational leader in accounting believes in sustainable greatness, performance, and quality while maintaining a blend of humility and conscience. At either the team or organisational level, he or she sees the world strategically when both looking at the big picture and the daily work. This change agent understands how things are supposed to work. This change agent aspires to turn the accounting function into a support unit for the entire organisation. This transformational accounting leader loves to assist in driving the company bus. The makeup for this person's abilities and drive looks like this:

$$\text{Strategist} + \text{Change Agent} + \text{Influencer} = \text{Transformational Leader}$$

A bureaucratic leader is a person who believes that consistency and predictability lead to success. From where he or she sits on the organisation chart, this person sees chaos and uncertainty as bad and does his or her best to remove it from the organisation. This type of leader believes that once a process, policy, system, and person are in place, it does not need to be improved or analysed. Bureaucratic leaders can be counted on to make their part of the organisation run smoothly.

Despite their undeserved reputation as a paper pusher, bureaucratic leaders believe that the system exists for stability and therefore everyone, including the never-satisfied transformational leader who must use it as designed. The bureaucratic leader is driven by practicality and reality, and the transforming leader is sparked by possibility.

Because every organisation needs both a change mentality and stability, it requires both leaders for a beneficial mix. The bureaucratic leader tempers the chaos and tension created by a transformational leader. The transformational leader lights a fire under the bureaucratic leader who cannot see that people and processes are moving the organisation backwards instead of forwards.

Here are a few clues to determine which sort of leader or influencer you are.

YOU PREFER TO DO THE FOLLOWING	YOU PREFER TO DO THE FOLLOWING
Challenge the process to improve it	Challenge the person to keep the process consistent
Upset the status quo	Keep the status quo
Inspire others through a shared vision and stories	Drive others through consistency and simplicity
Enable others to make improvements	Grant permission to others only when they have valid reason to make a change
Model the new path you want them to take	Tell others the path to take, the one you built
Encourage others through your passion	Encourage others through logic and policies
Feel the constant urge to make improvements	Feel the constant urge to keep things neat and tidy

If your preferences on leading others are mostly on the left side, you are a transformational leader. You are a bureaucratic leader if your leadership actions are mostly on the right side.

Value of Both Leaders

Two important clues will signal which type of leadership you currently need:

- *Clue 1—Your Cultural Balance.* In a world where technological, social, political, and other changes are occurring at an unprecedented pace and frequency, leaders and employees must not overlook that both people and organisations must adapt a change mentality while simultaneously focusing on stability and continuity. Being able to find the right balance between change and stability is a challenge in every organisation. Part of any culture shift is maintaining that delicate balance once it is identified.

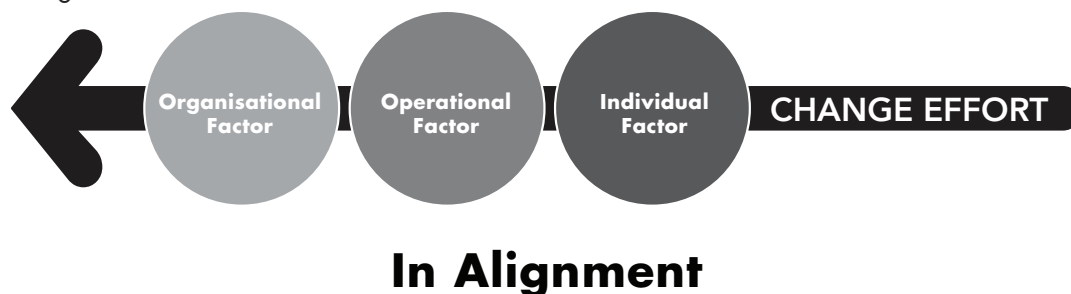
To find the proper balance your leadership team must look at the problems the organisation currently has. If the problems tend to be about stagnation or a lack of creativity, you must rely on transformational influencers to apply pressure for culture shifting. If widespread uncertainty or lack of uniformity is a description of the current norms, bureaucratic influencers must step forward and end the chaos. Examine the four stages in the organisational learning matrix. Transformational influencers are needed as soon as the winds of change are felt in stage 0. Once a commitment is made to change with the times, these folks help drive the necessary shifts and changes in stage I. As soon as the strategic change plan is developed and put into action, the bureaucratic influencers take charge in stage II by ending the uncertainty and getting the improved systems up to speed. They also take a lead role in the re-education of employees, making it consistent throughout the revised organisation in stages II and III.

Finally, to continue the effort to be change-friendly into the future, your senior leaders must find the proper mix of transformers and bureaucrats.

- *Clue 2—Your Cultural Alignment.* In reviewing the current culture of your organisation, in respect to its ability to handle change, you should determine whether there are discrepancies or misalignments among the vision, goals, and culture of the organisation. You are assessing the organisation's readiness for culture enhancing solutions. If you identify major misalignments, your transformational leaders need to remove them.

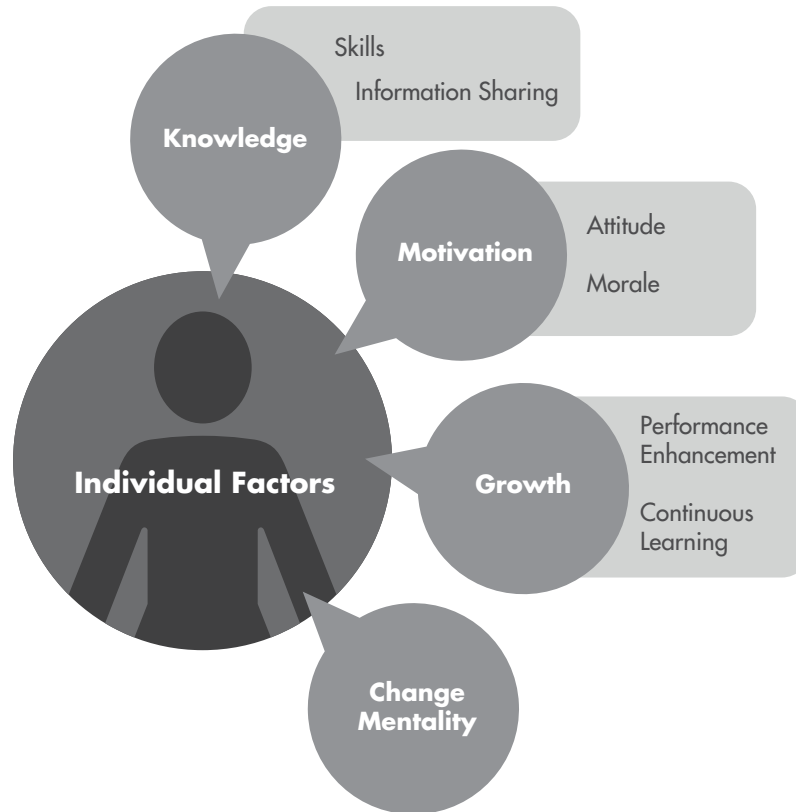
In figure 4-4 you see three circles. In each one you are looking for alignment among them as you establish your change plans.

Figure 4-4: Alignment of the Culture



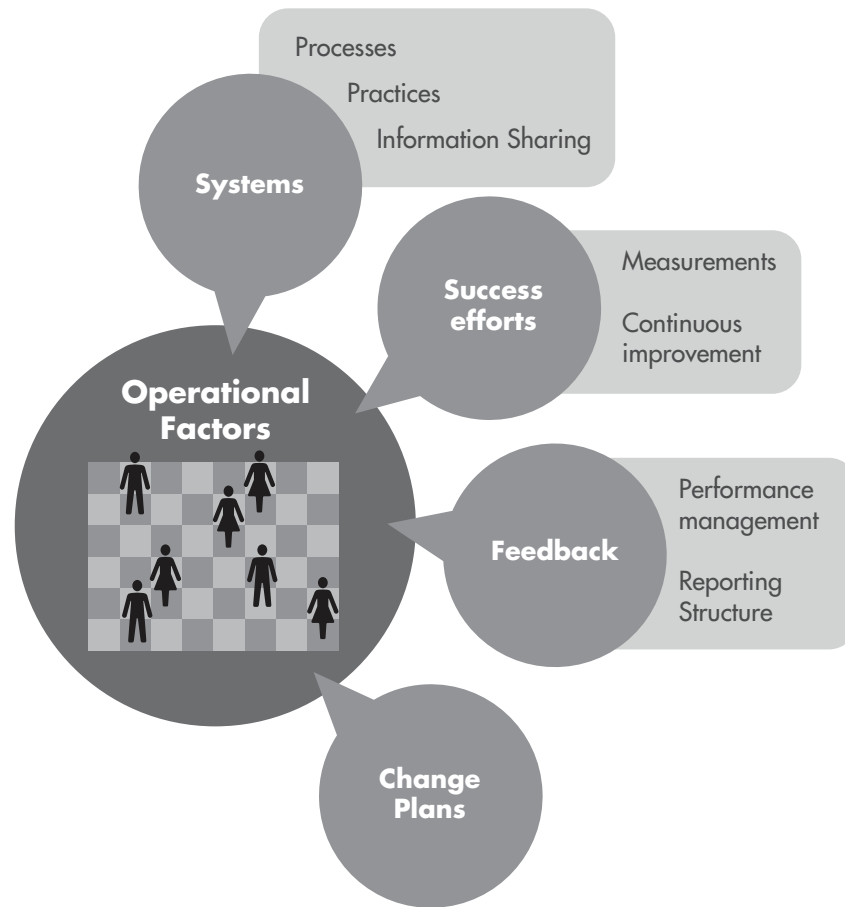
The inner circle includes the individual factors of an organisation. These are the variables that help or hinder employees in the daily performance of their jobs. Clarity on the attitudes, skill levels, a willingness to adopt changes, and the training needs of employees will contribute greatly to the quality of the solutions that are produced. As shown in figure 4-5, individual factors include skills, knowledge, and sharing of information; motivation, attitude, and morale; performance enhancement and continuous learning; and change implementation and employee replacement support.

Figure 4-5: Individual Factors



The middle circle represents the operational factors of your organisation. Examine any processes, practices, and systems already in place to determine if they support or hinder any proposed change. Changes in routines and systems can positively or negatively impact performance. You are assessing whether or not the organisation's infrastructure will support your recommendations for improvement. As shown in figure 4-6, operational factors include systems, processes, practices, and distribution of information; success measurements and any ongoing improvement effort; performance management systems and reporting structure; and localised change management plans already under way.

Figure 4-6: Operational Factors



The outside circle includes the organisation's overall environmental variables. You seek to find any areas that will not adapt to the culture improvements. As shown in figure 4-7, environmental factors that affect an organisation's ability to change include the vision, goals, objectives, and strategies; the culture, management style, politics, and human resource philosophy; business trends, financial health, business plans, product lifecycle, and competition; communication channels and information management; and global change management strategies (if any exist).

Figure 4-7: Environmental Factors



The lack of readiness of the organisation, the operations, or the people can be a weakness in any change implementation effort. Unfortunately, readiness is not universally seen as an activity that requires attention.

When working with the firm's management team to plan out the overall change implementation strategies, it is important for the driver, sponsor, or adviser to develop a comprehensive framework and step-by-step methodology for measuring success factors. These metrics provide feedback on the organisation's culture, systems, and people, and how each circle is reacting to the change efforts.

Healthy Mix of Transformers and Bureaucrats

Under normal conditions, there is an appropriate ratio between transformational and bureaucratic leaders. Included in this desired mix is any employee who is influential within the organisation. In a healthy organisation, you should have between 70 per cent to 80 per cent transformational leaders. If the amount of bureaucratic influencers rises above 40 per cent, your organisation's culture begins to calcify, meaning that current practices will become rigid. Once a culture is calcified, people lose the energy or desire to 'upset the apple cart' due to a fear of being ostracised or even fired.

Once the number of bureaucratic influencers reaches the 50 per cent mark, those employees who thrive on constant improvement will leave and soon you have bureaucrats running everything.

YOUR GAME PLAN TO GLOBALLY TRANSFORM A CULTURE

Every culture transformation is unique and takes years to fully accomplish.

Every decision, behaviour, and action has an effect on something in your organisation. You know this, however, most of the time the impact of these actions is unknown or ignored. In your effort to improve the culture, you must connect the dots for others so they understand the cause and effect chain. It is impossible to isolate the individual culture component or process that contributes to poor decisions or inappropriate behaviour. Still, an understanding of the norms of your culture will give you information about what employees consider important and their attitude. Your corporate culture can be either your ally or your downfall in striving for excellent results.

All leaders in your organisation must work together to rewrite the story so that it supports excellence. I will now provide a specific formula to write a new story or improve the one that exists today, but you and others need to believe that this sort of culture shift is possible. This general plan is one that you can adapt to your own situation.

How to Write the New Story

The following global steps are designed for the chief executive or equivalent to instigate and sustain a culture story where a change mentality is the norm, along with empowered employees who implement innovative solutions.

1. *Explain Why the Culture Needs Shifting.* Start by finding the answer to the following questions:
 - What are the unexplored opportunities?
 - What are the lingering and debilitating problems?
 - How can the organisation and its people better support the goals, strategic plans, or mission?
 - What contributes to general malaise about stretch goals, growth, and employee learning?
 - Why is excellence not being practised throughout the organisation?

- Why is the organisation underachieving on revenues, profits, growth, or service, or experiencing other top-of-the-line shortfalls?

Develop a global strategy for overcoming the gaps and be ready to sell this need for improvement to the entire management team.

Key Tools: Self-assessment, gap analysis, benefits clarification statement, force-field analysis, culture assessment, conflict checklist, solution planning form, 21-day rule.

2. *Develop the New Culture Story.* Use the best practice tool explained in this chapter.

Key Tools: Mind mapping, rules of engagement, the four Ps protocol (discussed in chapter 5, 'Focus Area #3—Processes and Systems'), affinity diagram, service standards, teaming evaluation test, pet peeve patrol, admirable co-worker.

3. *Tie the Change Plan to Your Planning Strategy.* Leaders must connect the intentions of the changes with the growth strategies of the organisation in its planning process. Every change, including a culture transformation, needs a context. The senior leaders must find clear connections between the short and long-range plans, the vision for the future, and the desired culture. Getting honest answers to the questions in step 1 is crucial to the success of the culture transformation.

Key Tools: Strategic plan, mind mapping, gap analysis, probing questions, gain commitment formula, customer survey, value chain model, stream flow analysis, feedback looping, continuous improvement infrastructure, three alternatives, force-field analysis.

4. *Form a Cross-Functional Change Team.* Mostly comprised of transformational leaders and change agents, this group commits to the need for change and the new culture story. Provide them with the resources and time necessary along with the required empowerment to shake things up. They will define the implementation strategies and select the tactics, metrics, and milestones that will hold all leaders accountable to the change plan. They will be the primary tool users while serving as trainers for employees.

Key Tools: Ground rules, service standards, evaluation of team's engagement diagnostic, responsibility charts, teaming evaluation test, team structure, focus and productivity checklist, process feedback metrics, conflict checklist, plus or delta analysis.

5. *Sell the Need for Change to Every Manager and Executive.* Explain how the transformed culture will help them do their jobs and improve decision-making. All of them will be affected by the change, so you need their commitment to support the effort. They also need to cooperate with the change team and support employees in the upcoming chaos.

Key Tools: Probing questions, benefits clarification statement, key question, problem restatement, buy-in process, three alternatives, sacred cow slaying, solution planning form, rewards and recognition, 21-day rule.

6. *Sell the Need for Change to the Employees.* Now is when you bring the rest of the employees into the change effort. They not only need to be sold on the overriding reason why, they also need to understand the guiding vision and revised culture story.

Key Tools: Probing questions, benefits clarification statement, key question, problem restatement, value chain model, buy-in process, three alternatives, sacred cow slaying, winning formula, rewards and recognition, 21-day rule.

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7. *Train (Retrain) Every Manager and Supervisor.* The change team and executives provide the tools for people to use. You must constantly reinforce the drive for change with these key decision makers because they will be tempted to ignore the change efforts and stay focused on daily functions. The senior leaders and change team must find ways to incorporate the necessary change efforts into everyone's daily routine. If these employees see this improvement work as forced upon them, the work will not get done.

Key Tools: Gap analysis, responsibility charts, conflict checklist, formalised action plan, feedback looping, process feedback metrics, plus or delta analysis, force-field analysis, learning curve evaluation, communication skills self-assessment, change agent self-assessment, continuous improvement infrastructure.

8. *Train and Re-Educate Every Employee.* Frame these ongoing sessions as employee training. These communication and skill building sessions will continue until the new culture story becomes the prevailing one. Ongoing training sessions attended by every employee will allow them to hear the same messages. In addition to imparting the new skills and learning their role in the change effort, these sessions provide employees with a much needed venue to air their concerns and get answers to their questions. Employees must feel they have a voice, are supported, and are understood. You accomplish this by proving that they can fail successfully as each person tries out their new skills and responsibilities.

Key Tools: Gap analysis, responsibility charts, conflict checklist, formalised action plan, feedback looping, process feedback metrics, admirable co-worker, plus or delta analysis, force-field analysis, learning curve evaluation, three alternatives, conflict checklist, communication skills self-assessment, change agent self-assessment, continuous improvement infrastructure.

9. *Seek Out the Unwritten Rules of Engagement and Sacred Cows.* Seek to uncover the sacred cows and unwritten rules that currently exist in the organisation. Prove to employees that these impediments to positive change will no longer be ignored or condoned and put an end to them.

Key Tools: Effective process checklist, focus and productivity checklist, sacred cow slaying, pet peeve patrol, responsibility assignments, teaming evaluation, value mapping, value added diagnosis, stream flow analysis, process checklist, admirable co-worker, conflict checklist, rewards and recognition.

10. *Tie Manager's and Executive's Compensation to Implementation of the New Culture.* To prevent management from regressing, use specific performance targets that you placed in the change plan as reward opportunities. In the beginning the rewards must be measured mostly by visible commitment and support. Later, compensation will be tied to new behaviours and improved financial and operational results.

Key Tools: Rewards and recognition, process feedback metrics, feedback loops, mind mapping, force-field analysis, action plan for growth and development, change agent skills self-assessment.

11. *Use Case Studies.* Select specific teams or departments as your case studies to gauge how well the change is being implemented and accepted. This will shorten the learning curve and produce quick successes that you can build upon. Some groups may adapt quickly and can be used as role models.

Other groups may not adapt quickly and will need more attention. These groups are opportunities to try out new tools and switch tactics. More often than not, the extra attention helps them get back on track. Remember that employees must feel that they can fail successfully as they struggle to learn and adapt.

Key Tools: Gap analysis, force-field analysis, plus or delta analysis, the five whys.

12. *The New Mind-Set.* You can jumpstart acceptance of the new culture by starting with communication. Now that you have defined a new culture, your task is to audit the 10 pieces of the culture puzzle. You will need to examine each piece to see how it impacts the current culture and how it can support the newer version.

In addition, you must pay close attention to what people say as it relates to the culture story. If employees say anything contrary to the culture story, they need a reminder to support it.

Key Tools: Gap analysis, probing questions, mind mapping, key question, the four Ps protocol, service standards, rules of engagement, teaming evaluation test, effective process checklist, team structure, value added diagnosis, attention to the right activities, cycle versus process time, continuous improvement infrastructure, plus or delta analysis, learning curve evaluation, formalised action plan.

13. *Communicate and Promulgate the New Culture Story.* Make sure the new culture story is accurately portrayed and talked about. All along the change route, the change management team must ensure that the new culture story and norms are consistent across the organisation. Inconsistencies will be evident in the employee training, in coaching sessions, and in feedback from employee surveys. Pay close attention to the company grapevine and to the rewards given out because both provide insightful feedback on the acceptance of the new story.

Key Tools: Gap analysis, probing questions, mind mapping, key question, the four Ps protocol, service standards, rules of engagement, teaming evaluation test, effective process checklist, team structure, value added diagnosis, focus and productivity checklist, cycle versus process time, continuous improvement infrastructure, plus or delta analysis, learning curve evaluation, formalised action plan, rewards and recognition.

14. *Recognise and Reward Employees Enacting the New Story.* Noticing employees who are doing things right goes a long way in the reinforcement of the attitudes and behaviours you want. Do this at specific events and at random times.

Key Tools: Rewards and recognition, teaming evaluation test, effective process checklist, focus and productivity checklist, formalised action plan, service standards, rules of engagement, responsibility assignments, process feedback metrics.

Having an improvement plan is important. Having the context for the change is critical. Your firm's culture always impacts your organisation's structures, processes, people, and results, so if the culture is flawed, everything else is not as excellent as it could be.

Tool #14: Culture Statement is used by a senior leader and a team leader to create a new culture story or revise an existing one. This vital change agent tool can be found in the downloadable content that accompanies this book. To demonstrate how this tool applies, you can understand its use by reading the case study. Here is how our client Linda employed the tool successfully.

Case Study of Using a Culture Statement—Linda

Recall our fictitious case study characters Linda and Tony. Linda decides to change the firm's name as a way of launching a culture change and deal with specific problems using the culture statement tool.

Linda's Dream

Linda accompanied me into her modest office. She said a little tersely, 'The chief executive I replaced occupied a very opulent office, but I wanted to send a message to employees of "no more business as usual", so that space is now being converted into an employee conference room because of its large size. When that is done, the contractor will carve out a small office suitable for me, the new chief executive of this \$200 million enterprise'.

Linda was nervous for our coaching session. I told her to take a deep breath to help her calm down. Then, she said, 'I want your opinion on doing something that will be perceived as extremely controversial. I want to change our name'. The way she said it, I guessed that I was the first person to whom she had openly admitted this to.

'Have you discussed this with anyone? With the board? With the employees'?

Rapidly she said, 'No', while vigorously shaking her head. 'This is why I need to run it by you. It is probably a bad idea'.

'Come on, Linda. Do not sell yourself short. You have tons of experience at introducing change. The fact that you feel the need to rely on my advice means this is not a capricious decision'. After a brief pause, I said, 'I have disliked the name EZ Money ever since I became aware of the company. It gives me an image of a pawn shop instead of a mortgage lender'. I said this to give her an avenue to express her feelings.

'That is how I feel, too. Actually, the original name was Ewing and Zeller Mortgage and Lending. However, legal documents abbreviated the company name to EZ Mortgage and from there it became EZ Money. Because that was a name that real estate agents could remember, it stuck, so Wilbur officially changed it about six years ago'.

'I didn't know that. Do you want to return to the original name?'

'No, I prefer a name like you chose for your company. High Road instils an image and a set of values'. She pulled out a portable whiteboard from behind her. 'Here are a few names I thought of: Integrity Lending, Paragon Mortgage, Touchstone Lending, Ideal Mortgage, Summit Lending, Pinnacle Mortgage, and Superior Lending'.

After studying her list I responded. 'I believe you want to discuss the reason why you want to change the name rather than the specific word, right?'

'Yes. I guess I do. In my heart I know we have to change it. The name EZ Money actually reflects the organisation's culture that Wilbur and Laurence fostered. The employees are still resentful about the cutbacks and blame me. I am unsure how they will react to the change in our name'.

'Aha. Now we are getting to the reason behind her self-doubt'. I thought to myself before I replied. 'Will the board back you up?'

'I believe they will'. She was conducting a mental headcount. 'There are still one or two Wilbur fans on the board and they may feel I am tarnishing his memory'.

'From what you told me, I do not see how his reputation could be harmed any more. He was wasting shareholder money as well as potentially embezzling funds! Forget that. I agree with you. Your harder task will be to convince the employees of the change'.

'Exactly. Today, I thought we could create an overall strategy and a game plan for convincing both groups of the need to improve the name. It is a chance to get a fresh start and rebuild our brand and image'.

During our session, I shared a story with Linda about my personal experiences.

Adrian and the New Company

I met an experienced CFO for breakfast one morning while travelling on a speaking tour. Adrian had contacted me and said, 'I have heard great things about your work and innovative solutions that you offer. I read that you will be in New York City next month. I have a problem with my team and wondered if you had time to meet with me to brainstorm solutions'.

The company that Adrian recently joined was brand new. It was a joint venture between two established organisations. Each company provided employees to the joint venture. Adrian found himself in charge of nearly 50 employees, many of whom he had never worked with, but many who had worked with each other.

I agreed to meet with him.

At the restaurant, I arrived early and got set up for taking notes. He arrived 25 minutes late but failed to apologise. We got acquainted but as we did, I felt like a student being quizzed by a teacher. I quickly got the sense that he only wanted specific answers from me. When someone does that, I have a way of getting past their fishing expedition: using probing questions instead of making suggestions.

The following is an approximation of the conversation that occurred once we finished eating. Adrian's response follows each of my probing questions. As you read this, see what sense you get about this accounting leader, who was responsible for a group of 45 employees of differing ages, levels, and roles.

What is it that you want employees to do?

I want employees to think for themselves. I want them to do their assigned duties without my intervention. I spend a lot of time solving their problems, issues that they should get done within the scope of their jobs. They are not doing this.

What does empowerment mean to you?

An empowered employee is someone who owns his or her entire responsibility. This is an employee who understands that he or she must go beyond what is stated in his or her job description. To me, an empowered employee will use his or her brain and anticipate what should happen next.

What is the benefit of this for you?

I would have more time to devote to my job because I would not have to babysit the employees. I would spend less time solving simple and meaningless problems, which seem to stop employees from doing their job properly.

What is the benefit of this for them?

I think the benefit to employees is that they would deserve my respect. I would treat them as a professional and not as a child.

What happens when an employee tries to pass the problem back to you?

I have so little time to devote to these meaningless things that I just solve it and then tell them what to do or what to implement.

What happens when an employee fails to offer a solution to his or her problem?

I only wish that employees came to me with solutions. They never do.

How much do you trust your employees?

I don't! That sounds a little negative. What I mean is that I really feel I cannot leave them alone. Not one of my employees can be trusted to work without constant supervision, not even my controller or treasurer.

If you were out for a month and totally unavailable, what would things be like?

There would be chaos and nothing would get done. I would shudder to think of the mess that would be created if I was gone that long. This is why I am here seven days a week from 5:00 a.m. to 7:00 p.m.

What does holding an employee accountable mean to you?

An employee who is accountable means that he or she does what I tell him or her to do. If I say 'do this now', he or she does what I ask. When I say 'don't do this', then he or she would stop doing it. To me, being accountable is to follow instructions to the letter. Do exactly what you are expected to do.

What tells you if an employee is being accountable?

Employees are being accountable when they obey me. Acting accountably is doing what I tell them to do, accurately and without errors the first time. Do it exactly the way I told them to do it.

How often do you meet with your team and allow them to plan the team's future?

We are too busy! I do not have time to meet with employees. On Tuesday mornings, I make a short video explaining what I want and expect from them for the week. Then, I e-mail each person. I suspect that not many of them watch the video. I wish there was a way for me to tell who is watching the video.

How frequently do they get to set their own goals?

I would never let employees set their own goals. As I said, most of them fail to do the entire scope of the responsibility. I would not put a fox in charge of the chicken house. Occasionally, I let a few of the smarter ones set goals once they prove that they are accountable to me.

How often do you meet with individuals to provide coaching support?

I will try to sit down with them twice a year, through our scheduled performance evaluation process, and hope to work with each person in figuring out what they need to do to get better results. Most of the evaluation time will likely be spent going over what they failed to do. I've noticed that employees hate performance evaluations.

Even though Adrian claimed that he wanted a culture of empowerment for his new team, he set things up to make sure employees were not empowered. Besides not understanding the concepts and the symbiotic duality of empowerment and accountability, he established a culture where employees understood that they could survive his harshness by pushing all of their problems back onto him. He conditioned his employees to be powerless victims.

As you can probably guess, I made the decision not to work with Adrian because there was no way that I could be effective. There are people you will meet in your career who say they want you to introduce change. However, what they are asking for is support for their unreasonable position. This is what Adrian wanted from me. He failed to get it!

I heard later that Adrian was fired when his employees staged a successful overthrow by undermining him in front of the company's principles.

Back to Linda's Challenge

I told you this story to remind you about Linda's situation and that you always have to be clear on what you want. For the next three hours, Linda and I developed her change strategy and plan.

Culture Statement of Exemplar Mortgage

We are proud to tell the world that we, as a united interdependent company

- engage in open and honest dialogue with one another.
- practise and promote open, forthright, and proactive communications.
- strive to have the highest levels of service and excellence in our work.
- treat our vital relationship with customers and partners as primary contributors to our success and longevity.
- respect our employees for their talents and willingness to contribute to our success.
- have a culture that is simultaneously professional and informal, structured and flexible, and inspires urgency yet has room to enjoy the journey.
- have a compensation programme that rewards hard work, commitment, loyalty, creative ideas, rational risk taking, and innovative solutions.
- have a diverse and talented management team whose main job is to support the employees by empowering them, training them, enabling them, coaching them, trusting them, and allowing them the freedom to do what they do best.

Her first action step to selling the employees was for HRI to immediately conduct a candid and intense reputation audit to determine how employees and clients felt about the organisation. We agreed this needed to be accomplished before she notified employees and outsiders of the name change. Our goal would be to uncover how employees, clients, and referral partners feel about certain issues and to determine how much each group would be open to a name change using the indirect method. If we uncovered any harm that was done to their reputation, Linda had a committee set that would work to improve it.

A Meeting Weeks Later

When our culture assessment was complete I reported our findings at a meeting in Linda's new office. I was impressed—it was plainly adorned yet had a very professional and ultramodern look to it.

I handed her our report. 'As you suspected, employee mistrust is very strong due to the layoffs and the restructuring. It is so strong that your employees are very hesitant to speak to you about any real or imagined concerns they have. However, your referral partners generally still hold a high opinion of your company, as do a large number of your customers that we talked to. We chose a sample of people who have recently obtained home mortgages from you.

'What this tells us is that the actions you will need to take in order to obtain buy-in would be mainly aimed at the employees. Your team needs to start this process right away. Despite the chaos of the past year, the good news is that your firm still has a good reputation. This enables you, I believe, to sell the name and image change to your board easily. We suggest that you get their support before you roll out this change the employees. After they say yes, you need the support of the entire management team'.

We talked for about an hour about what further actions were required to get her team's support.

Selling the Team

A week later, I arrived for a manager's meeting in their new conference and training room. At this follow-up session, Linda and I met with all the members of her management team. We worked together to revise the firm's value statement and draft its new culture story. Linda needed their input and participation so she could count on their support for the upcoming culture shift. In this all-day session, she continually encouraged her employees to think strategically and focus on the culture they wanted rather than the one they had. She was very encouraging and I could tell that most of them trusted and believed in her. I predicted to myself that one or two managers would soon be 'voted off the island' because they were clearly against the new culture; one was the CFO, Jasper. He and another executive tried to fake their support in Linda's presence, but I could see past their facade.

Linda's team left the meeting committed to introducing specific practices that would reshape the culture. Once that was underway, Linda announced the name change internally first and then publicly. Their marketing group tied the name change to a promotional campaign that was already in the works. As she expected there were some reactions of surprise and shock amongst the employees. In the end no one said that the name should not be changed. To me that was a clear victory for Linda's continuing change efforts.

Today, the company is known as Exemplar Mortgage. (When one of Linda's employees did a Web search, all the names she liked were taken, so we brainstormed some more and this is the one Linda liked.)

INVITING AND INDUCING SUPPORT FOR A DIFFERENT CULTURE STORY

By now you are thinking, 'I am only a small cog in the wheel, so what can I do to change our culture? Why do I need to invite employees to be a part of the mission? How do I do that, especially because I am not the chief executive of my organisation?'

Example: Your Big Party

You plan a big block party with summer fun as your theme. To get your friends and neighbours excited about the party, you create a Facebook page. On the wall of your Facebook page, you post pictures of people having fun at the beach. You e-mail an invitation via this page with an image of a beach party at a beautiful beach. You do several other visual things on this page to promote your party with the intention of getting people excited about it. If successful, they will be excited about attending.

Of course you want those who attend to enjoy themselves and interact, so you make plans for some fun activities such as a volleyball game and fireworks. Because there will be children present, you plan fun events for them like building sand castles, pony riding, and squirt gun battles.

As the host, you know that if you foster excitement amongst your invited guests, it increases the likelihood that they will attend. Their excitement will turn into energy and their energy will turn into fun. All you need is for them to commit to attending.

The answer to your questions about how you begin to induce and invite a culture shift parallels your party.

Process for Getting Employees Excited About Change

The following is a list of tactics that senior leaders use to lead a group of followers through a change that will require commitment and effort. This will be your change agent roadmap to get co-workers and others excited about writing a new culture story.

Action 1: Gauge the Excitement Factor. Your first action is to look at the mission of your organisation through your employee's eyes.

- Is your mission exciting?
- Does it convey a powerful image of what you want to look like?
- Do the employees know what it says?
- Do employees know what it means?
- Have employees bought into the mission or purpose?
- Are employees inspired by the mission?
- Are employees energised by the mission so that they are willing to work on fulfilling it?

If you cannot answer all of these questions with a 'Yes', that means your mission needs to be changed. Your mission, as a catalyst for positive change, must be both concrete and inspirational. When someone reads it, they should have this reaction: I want to be part of that effort!

Action 2: Address Your Effort as an Invitation to Participate. Your second action for inducing a culture shift is to write out a version of your culture story. Address each of the 10 plotlines in your culture story.

Change Agent Principles #40 and #41

Your goal is to turn excitement and enthusiasm into contribution and commitment.

When people voluntarily join a cause, they will own it quicker.

Action 3: Gain Buy-In and Win Support for the Culture Shifts. Your next action for introducing positive shifts and improvements is to address your culture, especially the aspects that work against gaining support. Think about how a respected sports coach gets his or her players psyched up about winning and doing their best. The successful coach will

- always bring the focus back to winning with excellence and honour.
- build up the player's self-esteem.
- point out areas where the player needs to improve.
- point out areas where the player is successful.
- make the player feel involved or be part of the team and game.
- give the player plenty of encouragement.
- get the players to operate as a team with one goal in mind.
- explain the game plan and each person's role in it.
- build a sense of urgency about winning and giving it their best effort.
- celebrate the wins by complimenting the player for their efforts and contributions.
- take the blame for the losses.
- look for team weaknesses and implement solutions using an improvement plan.
- get the player mentally prepared for the next challenge.

These next tactics can serve as your roadmap to gaining buy-in and support for a culture shift.

- Always bring the focus back to the cultural ideals.
- Build up your employees' self-esteem.
- Point out areas where the culture needs improving.
- Point out areas where the culture ideals are paying off.
- Make the employees feel involved in continuing the story (being part of it and telling it correctly).
- Give the employees plenty of encouragement.
- Get the employees to operate as a team with furthering the culture story.
- Explain the game plan for improving the culture and why it is important.
- Celebrate what is working by complimenting each employee for their efforts and contributions.
- Build a sense of urgency to make the culture better.
- Take the blame for what is not working in the culture story.
- Look for culture weaknesses and implement solutions using a change plan.
- Get the employees mentally prepared for challenges involved in improving the story.

How to Gain Buy-In and Win Support

Some leaders often take the wrong approach to gaining support for cultural change.

Method #1: Act Like a Friend and Hope the Personal Touch Will Win Support. This true story illustrates what can happen when you try to win employees' hearts by acting like a buddy instead of a leader.

Case Study on the Chief Executive Mom—Linda

Recall our fictitious case study characters Linda and Tony. Several years into our working relationship, Linda and I met for lunch where she told me, 'I am working with a client that has a problem and I need some perspective. We are conducting an audit and I am the team supervisor. I have become aware that the client's chief executive, Ms. Smith, does not get much respect. Her company is profitable and successful and Martha is well-liked, but her executives clearly disrespect her and non-management employees, whom I have talked to, say that they like her but I can sense the lack of respect. I don't know if I should report this to the engagement partner'.

I suggested to Linda that she devote time observing Martha throughout the day in ways that were not obvious. 'Pay attention to what Ms. Smith does as she interacts with employees. Until you have something concrete, don't report this as an audit finding'. Because this was a large scale audit, Linda's team would be there for about seven weeks, so she would have many opportunities to observe Ms. Smith.

Three weeks later, Linda called me, 'Remember that chief executive I told you about? Every Friday morning Martha brings in a batch of homemade cookies for the entire company of 150 employees'.

I asked, 'Is there anything wrong with that and why is this something that you think might contribute to this problem?'

Linda responded, 'Last Friday, when I complimented Martha on her cookies, she thanked me but then she bent my ear about how much time it took her and how little sleep she got on Thursday nights because of the need to bake cookies. I asked Martha why she did this, to which she replied with a look of disdain, "So that my employees like me!" I asked "Would it be easier if you brought cookies or maybe delegated someone to buy them for you?"' Linda paused for a second and continued, 'Martha said, "No. I have to do this", in a way that implied I couldn't see the obvious. What surprised me about Martha's answer was that she felt it was a normal chief executive obligation. I could tell that she was upset, so I did my best to ease the tension by chatting about her family. Later that day, she made a few more comments about the cookies. It occurred to me that she perceived that I had implied it was not chief executive behaviour. I sensed that Martha felt this was her responsibility and burden'.

After a few minutes of reflecting on this I asked Linda, 'What does this tell you about her not getting respect? What is the connection? It's obvious a lack of respect is the end-result, so what is the cause?'

Linda thought for a second and replied, 'She is viewed by her employees as a mother figure instead of a chief executive. Mothers generally like to bake cookies for their family as a sign of love, at least that is why I do it. In other words, the mom is the nurturer, and the father sets the direction and enforces the rules. Because of these traditional roles, often children respect and maybe fear the father and love the mother'.

I laughed at her unintentional detour into sexism and replied 'Yes, that could be true. For some reason Martha feels that she needs to buy her employees' love. Although it might be a wonderful way to treat employees, she might fail to see its impact on her relationships with her employees and fellow executives. Baking cookies from scratch is not a behaviour I would expect from my boss and definitely not someone who wants the respect the chief executive normally receives. I would say Martha is looking for friendship instead of respect'.

We talked some more about ways that Martha fostered disrespect. Linda asked if she should bring the issue up with the audit partner. My suggestion was to leave this finding out of the work papers. 'You could bring it up in a casual conversation about the client as something he needs to be aware of. You definitely don't want to say anything to Martha about this situation nor do you need to fix it'. I could tell from Linda's look that she wanted to fix the situation'. I warned her, 'You see this as a problem and want to solve it, but Martha has yet to see it as one. Maybe one day she will'.

Appeasing people does not work to get their buy-in because you are only renting their support.

One of the challenges you will face as a change agent is that you may see a problem that does not require solution. You will learn when to step in and do something and when not to. This wisdom comes with experience.

Method #2: Act Like a Political Candidate. Stereotypically, the politician who wants people to vote for them goes around meeting people, shaking hands, and saying 'If you vote for me I will...' In effect they are promoting an issue that the voter is concerned about.

Example: His Majesty

I worked for a newly hired chief executive who treated employees like voters. In his first few months on the job, he would go around the room shaking hands, asking the employee 'How's it going?' When he had time, he would ask employees, 'Tell me what you think about...' He appeared to listen. In his presence we felt good about his attention, especially because he remembered each employee's name and something personal about them.

It became apparent to us that this was an act. The suggestions we offered were never addressed or implemented. His written and phone communications with employees were very impersonal and often derogatory. In several meetings, he acted like I was not in the room. He became a running joke. 'There goes His Majesty', was what employees whispered whenever they saw him. Employees offered him outrageous suggestions to see how he would react. Within months he had lost the respect of nearly all of the employees. As an emerging leader, it hurt to witness this.

Pandering does not work to obtain buy-in. You cannot be everything to everyone. As the politician finds out quickly, everyone wants to get all his or her needs met and if not, blames the politician for this shortfall.

Proper Method for Support and Buy-In

People respect and support the leader who stands up for the mission, the culture story, and for the employees' wellbeing. A senior leader, such as a chief executive or an equivalent position, does not need to be friends with

everyone. Employees will respect the leader who stands for something positive, a boss who has conviction by believing in himself or herself and in what he or she is trying to accomplish. This sort of leader understands the mission and encourages employees to do what they can to carry out that purpose.

Because the chief executive is usually the one who developed or shaped the culture story, he or she believes in the story and encourages employees to enact that story. For example, if your story is about excellent quality, that is what the senior leader feels is important. If your story calls for creativity, the chief executive makes creative ideas a priority in the goals and budget.

The senior leader who believes in the employees' wellbeing is someone who cares enough to respect and value them and of course act on their concerns. At the same time the chief executive holds employees accountable to the stated standards and an expectation that they live the values, enact the culture story, and fulfil the mission.

The senior leader does not want respect for the position he or she fills on the organisation chart; they want to be respected for their accomplishments and contributions in making the organisation successful.

The leader who gains employee support for a necessary culture shift is like the driver who chooses to take the carpool lane to work. The driver must take people with them in order to gain respect and win support.

In our next case study, Linda shows how she applied this knowledge to enrol and engage her employees in yet another culture transformation.

Case Study on Selling a Cultural Ideal of Trust—Linda

Recall our fictitious case study characters Linda and Tony. Linda needs to overcome employees' widespread mistrust of her intentions and develop a new culture story by using the benefits statement tool.

A Lack of Trust

Trust is a very sharp weapon and tool. It can cut through things easily. It can hurt the person who misuses it. It can be used to cause harm. This was the main theme I delivered to the managers and executives of Exemplar Mortgage (formerly known as EZ Money).

'Currently, employees do not trust you very much. Because of the changes that you had to institute over the last year, faith that employees once had in you has been shattered. Without their trust and of course support, it will be hard for you to grow this organisation and turn it into a company that honours competence and excellence'. I paused to let this sink in.

I looked at the eyes of everyone in the room and I saw two reactions. The first was shock that the point was openly acknowledged. The second was deep concern. 'I know that all of you are very worried, but Linda and I are here to explain that this situation can be turned around quickly if you are willing to do the work. In addition, we have the ability to change this situation for the better'.

I explained that, 'The bond can be rebuilt. The framework is already in place. From our assessment of this culture, we determined that you have these pluses on which to rebuild trust.

List of What is Harming Trust

- Employees generally are glad Wilbur, the former chief executive, is gone.
- All employees want the company to succeed.
- The growth in your mortgage applications and the rise in housing prices is a sign of opportunity knocking.
- Linda, although being perceived as the sheriff who got Wilbur canned, is described as likeable. Employees are just not sure about her yet.
- Employees generally hope that the recent changes will have a positive impact.
- Many employees have innovative ideas and would like to share them with you. Once we build avenues for them to speak up without fear, your employees will be less hesitant to offer them to you.

‘How does that sound, Celia’?

Looking at the controller directly, I noticed that she was reluctant to say anything, but after looking over the rest of the management group to detect disapproval and finding none, she turned to me and replied, ‘Yes. I think it is good news. What do you want us to do?’

Today’s group coaching session was designed to brainstorm ways for them to introduce the new culture story. ‘Last month, you crafted a wonderful and powerful culture story using the firm’s values, which in turn support our new name of Exemplar. Now we have to turn that desire into specific observable behaviours. For the next hour, you will explore ways of instilling the story into your daily practices’. Several employees looked puzzled.

‘The culture story is like a new play we just finished writing and now have to bring to the stage. We must first script and practise the dialogue, decide on the proper staging, and work out the details. It looks good on paper but we won’t know how good it is until we see it performed. We must make the story a reality. This is accomplished through employees’ daily actions’.

I looked at Linda to ensure we were on the same page. She nodded affirmatively.

‘One of your core values is open, forthright, and proactive communication and it is described in the culture story. How can you, as managers, supervisors, and executives instil this? What can you do within the structure of your daily work that consists of e-mails, memos, meetings, and on-the-job training to practise this sort of communication? List as many ideas as you can because the more ways we show our commitment to this form of communication, the faster it will take hold’.

Linda and I excused ourselves to plan the employee retreat.

‘Linda, in the three months that you have been chief executive, I can tell that employees are warming up to you and comparing your actions against the arrogant and indulgent behaviours of Wilbur. A few of them are having a hard time getting past the harm that he and Laurence caused. Therefore, we must structure the retreat in a way that allows employees to let go of these concerns and immediately get focused on goals and specific things they can do to help the company grow’.

Linda's Shadow

I had been Linda's shadow for the past two weeks. This meant that I spent about five hours a day with her, attending the same meetings while observing her behaviours. Linda asked me to do this because she wanted feedback on any behaviours that might help her. My role was also to observe how people interacted with her and reacted to her. I noticed over the last couple of weeks that employees were no longer afraid of having her in the room. Many of them smiled when she talked to them. In their verbal communication with her, employees expressed things in positive ways instead of negative, complaining ways.

Besides shadowing Linda, I spent time wandering around Exemplar's offices. In doing this I was able to observe employees' and managers' interactions with one another, seeking out inconsistencies. For example, an employee might react to a boss whom they admired one way and another way to a boss they do not like. With few exceptions, employees and managers interactions were consistent. Again, this told me that Linda was being accepted by her co-workers.

The Employee Retreat

When Linda had her notes complete, we set goals, outcomes, and the agenda for the employee retreat, which would be held in two weeks.

Retreat's Overriding Goal: Rebuild trust, remove fear, open up communication lines, and improve relationships

Retreat's Agenda Items:

1. Layout a vision for the future
2. Define each employee's role in this future vision
3. Allow employees time to vent and express their concerns honestly
4. Reach out to employees and make them feel like a valuable part of the improvement process
5. Roll out the specific behaviours that further the new culture story

When we were done, I explained to her, 'One of the things this retreat intends to accomplish is to put Wilbur and Laurence's actions in context without making them out as evil villains. The second is to instil a sense of openness about what is going on. Linda, I suggest that you assign specific employees the responsibility to take notes about decisions made and on comments or suggestions offered. Then, as soon as possible, provide a copy of these to all employees. This action will serve two purposes. First, it will remind employees about what went on, which they are very likely to forget. The second is that it honours the openness and transparency that you believe is very important. I agree that openness and transparency helps to rebuild trust. If your employees think you are trying to hide something, they will continue to mistrust you. On the other hand, if employees feel that you are totally honest with them, they are more likely to trust what you have to say and what you are doing'.

Linda's Benefit Clarification Statement

'We need to change!

‘In any change or transformation, like the one we are experiencing now, we can either choose to move away from something awful or move forward to something wonderful. This vision of our future is one where we are growing, prospering, profitable, and creating more opportunities for you to grow your skills.

‘So you wonder where this prosperity and growth are going to come from. The answer can be found in our vision. We will be a leading organisation that is on the leading edge of its field, doing things that others are afraid of or unwilling to do. In this vision, we will retain the respect of our customers and our referral partners because we can deliver what they need faster, better, and in a much more simplified form than what they get from us and our competition now.

‘In this vision, we have an improved culture that builds on the foundation of our accomplished past. This better culture honours those who communicate better. This fluid culture supports and rewards employees who are creative and who seek innovative solutions. This flexible culture is one that allows you the freedom to do your job, because you are well-trained and supported. In this professional culture, you do not work for me and the other managers, we work for you by providing the tools and training, and those things you need to do your job well. In this fun culture you are rewarded for your hard work, dedication, and loyalty.

‘In this vision of a better future, we work as one interdependent organisation, where no one person is more important than the other, yet we all need one another to do our jobs effectively. In this future you enjoy your job and the company you work for, but you love the people you work with because they care about you and want you to succeed’.

We returned to the conference room to check on the managers’ and executives’ progress and then debrief. They shared their list of specific behaviours. We tweaked the list of behaviours. I organised them into small groups and asked them to anticipate questions that employees might ask. Once that was accomplished, we practised appropriate responses for them to give.

I provided Linda with feedback on the process and the format. ‘This will put employees at ease with your plan’, I said.

Next, Linda shared the proposed agenda for the two-day retreat. Afterwards, managers asked questions and several concerns came to light. I sat in the back of the room and noticed how masterfully Linda handled the questions and concerns. She laid out her vision for the organisation’s next five years; the one she would describe to everyone at the retreat. I then took over and facilitated a session where I asked them to play the devil’s advocate on the vision. Based on the comments made, we were able to fine-tune it quickly. They appeared to be very appreciative of the effort.

It was difficult, but Linda did her best to not see the suggestions as criticism. Her change agent skills of removing her ego from the activity paid off. By the end of the day, Linda’s management team was 100 per cent behind the vision and the new culture story.

Debriefing Meeting

Once we were finished, Linda and I debriefed about the meeting. Linda asked, ‘What do you think I need to do about Jasper? I get the sense he is trashing me behind my back’. Jasper, the CFO, was one of the two executives who did not support Linda.

I replied, 'In my observations of him, I notice that he is playing a dangerous game of double agent. He says all the right things to your face, but says another when you are not around. I believe that he will continue be a detriment to the improvement plans unless you hold him accountable'.

'What do you think of Celia'?

I was surprised by her question but had a hunch why she asked it. 'I believe she is really enjoying this process and wants to be more involved'. I paused.

'I have noticed that, too. I would like her to take a role in the retreat. I am not sure what role she should take, but I believe she will feel more engaged and connected. I have warned Jasper that he needs to lead by example and has 30 days to improve his attitude. I hold out hope that he does. However, if he doesn't, I would like to promote Celia to the CFO position. What are your thoughts?'

'I believe that she will make a fine CFO, but might get overwhelmed if all the responsibilities of the job are dumped on her too fast. Is there a way to transfer some of Jasper's responsibilities to her in an organised fashion? Is there someone, with the qualities of a controller, who Celia can pass on some of her duties to?'

'I could jumpstart the transition by reassigning responsibilities. This could help Celia gain her confidence in that role, test Jasper's commitment, and find Celia's potential replacement all at the same time'.

I spent two more days as Linda's shadow and I noticed a significant improvement in her management team's interactions as a result of the recent training session. There seemed to be a sense of pride developing. I felt (which later proved to be true) that this same sense of pride would be instilled in employees as a result of the retreat.

THE CHIEF EXECUTIVE WANTS LEARNING AND IMPROVEMENT THAT LEADS TO GROWTH

Earlier I explained that growth to a C-suite executive is something that the demand their culture produces. Their formula on how to generate growth is simple:

Learning → Improvement → Growth

This mind-set and desire implies and demand that their culture is change-friendly and contributes to employees learning constantly. The implication for you, their change agent, is to concentrate your culture improvement efforts to making learning a cultural norm. As you discovered in chapter 3, 'Focus Area #1—People', when people are learning, they automatically embrace adopting new behaviours.

Why does an organisation itself need to be change-friendly? One word: survival!

There is nothing new about change. It has always been an aspect of the existence and history of humankind. What is new about change management are the unprecedented depth, complexity, and pace of technological,

social, political, environmental, and other shifts taking place. Your organisation is currently operating in an environment that is continually changing; in other words, the context you operate in is in a constant state of flux. The ability to adapt to these changes has become a core trait to be successful today and those organisations that cannot cope with the constant pace of change will not survive.

How to Build a Change-Friendly Organisation

There are numerous ways to make an organisation more accepting of change. The change agent uses the techniques that best fit the situation. The following is a list of characteristics of the organisations that are successful at thriving on change. They turn each characteristic into a goal. These organisations consistently demonstrate that it is easier to keep pace with change and generate effective transformations from within when change has a prominent place in the organisation's culture. In other words, change is not seen as exceptional but as the norm. These characteristics are shown as goals.

1. *Accept the Necessary Pace of Change.* Your organisation must define an optimal pace of change. This includes balancing change and stability and avoiding change just for the sake of shaking things up.
2. *Collect Improvement Ideas from Employees.* Every employee in your organisation must believe that suggestions for improvement are welcome and will be treated professionally. Creative ideas do not only come from senior managers and executives. In addition, have in place a methodology for collecting and analysing improvement suggestions. Management is required to follow up on all ideas received.
3. *Integrate Change Efforts With Goals.* Employees need to be informed of management's current priorities as well as how resources are being utilised both to maintain stability and make progress. Each proposed improvement idea must be examined for its relationship to the organisation's current and long-term priorities.
4. *Place a High Premium on Innovation and Continuous Improvement.* Employees and managers are reminded that it pays to have a positive attitude towards change and are encouraged to seek out improvements that benefit the organisation. Innovation and creativity can be stimulated and supported by monetary rewards, public recognition, promotions, more interesting job responsibilities, additional training offerings, and self-development opportunities. You communicate to employees that it does not pay to be conservative and resist change.
5. *Use Values as the Context and Driver for Improvements.* Values and beliefs concerning change must have a prominent place in your organisation's culture. Opportunistic cultures regard change as healthy because without it the business cannot flourish. A culture that is dominated by traditionalism and a reverence for the past are generally suspicious about change and employees within such a culture perceive any improvement to be disturbing or even subversive, even when the need for change is self-evident.
6. *Never Give Up on the Need to Improve the Culture Story.* The presence of cultural factors that impede change does not imply that change is impossible. Enhanced information, education and training, admiration of companies with dynamic cultures, and the introduction of new technology affect a culture that is stuck in the past. If your organisation is resistant to change, you must keep these concepts and concerns in mind as you decide what to do. Think about the types of change that historically have been acceptable, the acceptable pace of change that currently exists, the leadership's readiness for change, the employees' readiness for change, how much or how little the leadership body and the managerial group will support the change, and the amount of persuasion and educational efforts necessary to convince people who are maintaining the status quo that this practice is not in their best interest.

WHY A CULTURE TRANSFORMATION TAKES SO LONG

To take a typical culture story as it exists today to a completely updated one takes an average of 6 years. It will take your leadership team anywhere from as little as 18 months to as long as 6 years of concerted effort to transform the story. I know, your leadership team's attention span does not last that long! The following section explains the reasons why.

The Take-No-Prisoners Option of Weeding

Constant weeding is frustrating. There are many times when I have contemplated taking drastic measures when faced with another crop of weeds. In one scenario, I can go into the garden with a backhoe and level every living thing to the ground. The problem of course is that I kill my flowers and herbs. The second scenario is to grab a strong weed killer and spray it everywhere. Again, I risk harming the fruits of my labour, the flower and herbs, which represents what your business is about—sales, customers, products, services, ideas, cooperation, branding, and profits.

Once reality sets in, I take the time to do strategic weeding: going through the garden inch by inch and removing the weeds and protecting the beneficial plant. This is hard mental work and time consuming. I, like many executives, want instant results.

Guess what? Ridding your culture of harmful norms takes strategic weeding, too, and is one of the following reasons a culture shift takes so long.

Reason 1: Retaining What Works

Rarely are all 10 plotlines which make up your culture completely flawed or damaged. In a very functional company, only 2 or 3 of them may need to be addressed. In a very dysfunctional organisation, 6 or 7 show improvement is definitely needed. If all 10 were damaged, you would be out of business! In other words, there are many things that are good or even excellent about your culture story.

As soon as you start to shift or improve one area, the other nine will be impacted. Say you need to fix communications and goals setting. Unless you also monitor and manage the rest, a change in the goals and how you measure them could mean you must update your current reward (incentive) system. Your policies will need updating. Once you ask employees to work differently in order to achieve more challenging goals, you must improve your training methods. This is the interconnectedness I described in the visual puzzle of what culture is. This hard work is very time consuming.

Reason 2: Protecting The Plants

Change can impact any aspect of your organisation, including your organisation's culture, the basic nature and structure of your business, tasks and activities undertaken, the technology you rely on, management and leadership structures, internal and external processes, people (whether they are employees, contractors, customers, or suppliers), organisational performance and what your definition of success is, and the image and reputation or brand of your organisation.

The fruits of your labour contained in this list are important. When removing outdated or harmful practices that contribute to a negative status quo, you must do your best not to harm your valuable practices.

Reason 3: People Must Want to Change

Cultural transformation affects everyone in the organisation. Culture is not something that enters the door each morning; it is an aura that permeates through your entire company. People bring a certain attitude with them when they come to work. Changes occurring in the organisation's culture will either facilitate or hamper change in the people who participate in that culture story.

It takes time for employees to go through the stages of change. The faster people embrace the shifts they must make, the sooner your culture gets transformed.

Reason 4: Reminding Managers That Change Is Not an End in Itself

Organisations must be prepared to embrace change in order to survive in today's state of constant flux. Change in your organisation is not the end point but only a means of adjusting to new conditions and context. Being able to sustain growth, increase competitiveness, improve performance, or adapt to a new marketplace are the reasons that change is contemplated and instigated.

Reason 5: Change Can Be Quite Costly

Some managers suffer from a chronic disease known as 'reorganisationitis'. These leaders need to feel busy and involved so they need to shake things up, such as instigating a reorganisation every few years for no beneficial purpose. At times, outside advisers and internal change agents must tell those suffering from this disease that the best solution is to leave things as they are. Unnecessary change wastes time.

Reason 6: Maintaining the Delicate Balance

In a world where technological, social, political, and other changes are occurring at an unprecedented pace, leaders and employees must not overlook that both people and organisations must adapt a change mentality, while simultaneously focusing on stability and continuity. Striking the right balance between change and stability is one of the most vital tasks of a change agent leader.

Reason 7: The Principle of Employee Inculturation

Nothing is more frustrating for executives and managers than having employees who are focused on the size of their pay check and not on their responsibilities. If your employees are focused on what is in it for them in terms of their pay, benefits, and perks, they will not have sufficient bandwidth left for being creative and seeking solutions. Yet, what many leaders do not realise is that they create this situation by the culture story.

Inculturation is the point in time when the employee becomes indoctrinated into the culture and loses all objectivity. It is the transition time when the employees are now part of the story, playing their role in fulfilling it.

What Employees Expect Today

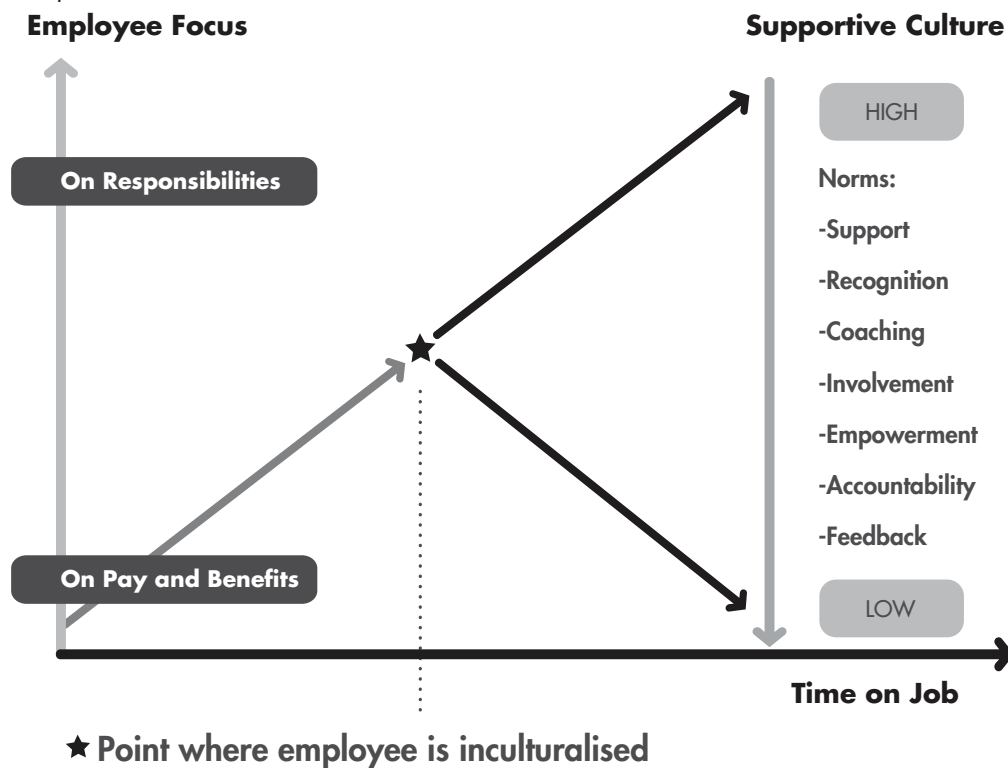
What employees desire more than a pay check is an employer that practices supportive cultural norms, so employees are clearly supported by their supervisor, receive recognition for their efforts, receive regular coaching on where they stand and what they can do to improve their performance, are allowed to be involved in their goals and the team's direction, are granted empowerment to do their job as they see fit, see that accountability standards are enforced upon everyone, and receive feedback on their performance.

In other words, loyal, contributing, and caring employees demand to be treated as capable human beings and not disposable items.

Avoiding a Mercenary Attitude and the Point of No Return

On day one of his or her employment, an employee's main measurement of self-worth becomes his or her pay check. As time passes, the employee's attention naturally turns toward his or her responsibilities. Then, at a specific foreseeable point in time, the employee becomes part of the culture and his or her attitude can change. Figure 4-8 provides a graphic representation of this process.

Figure 4-8: Principle of Inculturalisation



You want employees to continue focusing on their responsibilities and services to their customer. If your environment is a supportive one that nurtures employees, their attitude will continue to be open to new ideas and they will commit to learning.

However, as figure 4-8 demonstrates, if the cultural norms do not provide the supportive environment that today's employees demand, they will develop a mercenary attitude and continue to use their pay check as a measurement of their worth and of your commitment to their success. A mercenary attitude inhibits adopting a change-friendly mentality.

Once this point is reached in your relationship, it is almost impossible to change the employee's attitude. Despite the hundreds of management books written each year on how to reverse the rise and trend of this mercenary attitude, employees rarely alter their focus from their pay check back to their responsibilities, even after a dramatic shift in the culture.

As a leader and a supervisor, you create your team's environment and write the story your employees enact each day. Therefore, you directly influence whether or not employees develop a mercenary attitude!

HARMFUL WEEDS IN YOUR CULTURE

Of all the weeds that crop up in my garden, there are 5 I dislike the most and yet they are the most fruitful. The first one I dubbed the pop-weed. Once it takes root, it becomes extremely self-perpetuating because as soon as I touch it, it spreads hundreds of tiny seeds all around the area. This weed goes from a sprout to a spreader in less than a month. My second garden nemesis is a weed that spreads elastic-like roots in all directions quickly and efficiently. Like a strawberry plant, it takes one rooted weed to create 10 more. Because it grows quickly and superficially it is easily removed, but its spawned roots are nearly invisible. The third is the infamous dandelion, of which I see at least 5 varieties in my garden. These dreaded weeds have the ability to spread through both seeding and their underground roots. Unless I can take out the entire deep taproot, it will regrow. The fragile root breaks easily when I attempt to pull it out. The final two are extremely insidious. The fourth resembles a flowering plant, similar in the shape of its leaves and colouring. Only after the plant blooms can I tell it is a weed and by that time it is ready to spread its seeds. The final one is a very small variety that grows close to my desired plants, often staying hidden. It uses the flower or herb as its protection.

Unfortunately for you, these weeds do not strike only in gardens. Analogues of these five weeds thrive in any culture and are extremely hard to eradicate, yet must be addressed right away for your new culture story to get planted, rooted, and produce positive improvements.

Employee's Language Weed. This harmful culture practice is the equivalent of my first hateful weed (the pop-weed).

A culture story gets reinforced by the way employees talk to one another in meetings and in their daily interactions. The problem is twofold: people listen and repeat certain phrases but we ignore them. Culture harming language is nearly impossible to eradicate because the only true way to end the practice is to get employees to stop talking to one another. Everyone on the management team must teach themselves to listen for language that is contra to the culture ideals and remind the employee speaking that language to stop. Once you start listening for harmful language you will discover how prevalent it is in your organisation.

Example: Core Value of Accountability

As you listen to employees throughout your organisation speak to one another in meetings you will hear excuses, finger pointing, and denial. When things go wrong, you will hear employees sound like victims. This language tells you immediately that employees at all levels do not believe in accountability because they are not practising it and every time employees use this blaming or victim language, they reinforce non-accountability.

Example: Core Value of Flexibility

As you listen to employees throughout your organisation speak to one another in meetings you hear phrases like, 'We can't', 'It is impossible', 'It will never happen', 'That will be too hard', and 'I can't do anything about it'. This language tells you that employees' thinking has become rigid and inflexible. It also informs you that thinking and creativity are not in the organisation.

Example: Respect for Human Potential and Equal Partnership

As you listen to employees throughout your organisation speak to one another in meetings and in the halls, you hear silo enhancing language such as, 'those bean counters in accounting make me jump through hoops', 'those marketing people are too lazy to fill out the information we need', 'those techies need to learn how to speak English', and 'management is clueless about how this company operates'. This language signals that how employees regard one another is preventing communication sharing. It says your employees believe that other people do not deserve respect or are unwilling to make things better. Employees using this language believe that their behaviour is superior to their peers.

The most insidious aspect of this practice is employees at all levels often fail to realise that this is harmful to the culture story by undermining the values. Even worse, employees can be unaware they are saying these things. However, once you make everyone aware of the negative impacts of this harmful weed, they will pay closer attention to their words and it will decrease.

Unwritten Rules of Engagement Weed. This culture practice is similar to the hateful weed with the tiny elastic roots that are hard to see (the second weed).

All organisations have unwritten rules about how employees are supposed to act. When an employee behaves according to these rules or customs, they are accepted into the herd. Should new employees break any of these rules, they will often receive some form of sanction. This sad phenomenon is not just conducted by peers; the sanctions or prohibitions against making waves come from supervisors, managers, and even executives!

Your corporate culture impacts the degree to which your employees can make the most of their current level of talent because in every culture there are known and hidden practices that both encourage and prevent an employee from exercising specific work-related competencies.

Example: Hazing the Rookie

In many established organisations, the practice of hazing occurs frequently. A hiring manager screens for candidates who have experience being a change agent and can think creatively. The hope is that the person hired can bring a fresh perspective to a team steeped in tradition. Once hired, though, the employee is discouraged from sharing new thinking by

- being ignored.
- told frequently 'You are too new to know'.
- chastised for expressing ideas or opinions.

After these behaviours occur, the employee either learns to remain silent or quits in frustration. You end up scratching your head wondering why this person with fresh ideas left so quickly.

Example: Non-Cooperation

Your leaders believe that cooperation with the sales personnel is vital to understanding each customer you serve so that you can build customer loyalty. Teamwork is the value that should ensure that everyone who touches and communicates with the customer will pool their knowledge together in order to provide a global view of the customers' needs. However, your organisation rewards sales personnel with winner-take-all incentives and provides individual rather than team recognition. Although the sales personnel is recognised for retaining an existing customer or winning a new customer, the behind the scene employee receives little or no recognition or reward. Therefore, the support staff takes revenge against the sales employees and do things such as delaying entry, omitting details, and being rude to a customer's purchasing agent.

Example: Lack of Interdependence

Chief executives want employees to cooperate and communicate with one another. Chief executives fail to realise that the culture story they create can lead to the creation of silos, which inhibit cooperation and prevent interactive and open communications. One corporate value in a change-friendly culture is interdependence amongst employees because this is vital to seamless internal communication, so you can create a flexible and fluid organisation. However, your leaders ignore the silos that exist between departments. Unless you find and eradicate the causes, silos thrive.

Example: Silos

Uncooperative insular departments are called silos and get formed in many ways. Here are three common ones: (1) Silos exist whenever a task force or project team is formed and there is a lack of cross-functional representation; (2) silos persist because your employee-of-the-month programme promotes selfishness, so there is little information sharing, which strengthens the silo; and (3) silos become entrenched whenever managers are exclusively evaluated by the chief executive and not by peers or employees.

Example: Budget Game Playing

When managers are only incentivised to stay within their budget at any cost it hurts true creativity. Some managers will cut corners or only complete the goal items that are visible and likely to earn them an incentive. This lack of transparency is hidden within the departmental silo because the manager demands complete and utter loyalty, and the penalty is termination or being labelled as a snitch.

Example: Shoot the Messenger

I worked for several organisations where the norm was to hide bad news, rash decisions, and poor results because the senior leaders always shot the messenger. Rather than listen to bad news the executive wanted people to dwell on the good news. In addition, they never wanted people to question or critique the strategies they conceived. The prevailing culture became one where employees would do anything to save their job, which included lying and sweeping unnecessary risks or problems under the rug. These firms were always in trouble, yet the people I worked for were clueless why they were the last ones to know about the problems.

Leader's Actions Weed. This insidious culture defect is akin to the prolific and hateful dandelion that spreads both above and underground (the third weed).

The moment that an employee sees how a supervisor, manager, executive, director, or anyone else in a visible leadership role acts in ways contrary to the cultural ideals or values, the weed takes root. Sometimes the detrimental behaviour is intentional because the leader does not like a policy. Sometimes the behaviour is about expediency because the leader feels the only way to get something done is to disregard the system. Some leaders have personal values that conflict with the corporate ones, so they always default to their own. Some displayed behaviours that are contrary to the desired ones that take place are due to the leader's lack of awareness of their own behaviours and are caused by the fact that no one ever held the person accountable to be compassionate, generous, or honour an employee's boundaries. The final major reason leaders engage in culture damaging behaviour is because they get overly focused on getting their task completed and goals met but cannot see how their actions and interactions impact others.

If I catch the dandelion in its very early stages, it will not be able to spread. However, the longer I wait and the deeper its taproot, this weed's ability to propagate itself grows exponentially due to its fast growth. Similarly, if the chief executive catches his or her direct reports engaging in behaviours detrimental to the culture ideals early on, very little damage will occur. However, whenever a culture harming behaviour of these influential employees is not addressed, the deeper this impacts the organisation and soon it will be nearly impossible to stop the negative influence of this leader.

When employees see their leaders profess one value and yet act contrary to that value, employees will always believe in the behaviour and ignore the professed value. This becomes the reason behind this rule for leaders.

Natural Law of Leadership

When a leader fails to walk their talk, they cease to be a good leader. Yet, their behaviour continues to influence their followers through the following message: Do as I do. Ignore what I say.

The most dangerous aspect of this culture weed is that it tells the story that the leader and the organisation lack integrity.

Two-Faced Managers Weed. This culture defect is akin to the hateful weed that looks exactly like a flower (the fourth weed).

Most organisations have mid-level managers that dislike being in the middle and desire to be at the top of the food chain. Their drive for power and influence is used to engage in the ‘catch me if you can’ game of being two-faced. Sadly, they know how to play politics well and are experts at saying exactly what their boss wants to hear. These people harm the culture because they tell the executive team that they are supporting the drive to improve the culture, but their actions show otherwise. They are known to undermine senior leaders, speak badly about the change efforts, and distort the message being transmitted from leaders above them. They have behaviours that make it appear that they are supporting the drive to implement a new story, when in fact they are supporting the old one.

The Protected Practice Weed. This harmful behaviour is the equivalent of the hateful weeds that uses that good plant as its protector (the final weed). This practice is also known as a sacred cow.

Like the manager who shows a different face to different people, this employee is able to hide his or her support for the old culture story by staying just under the radar. This employee participates in meetings and offers ideas, but unseen to most people, he or she does little things to undermine the new culture story. This employee usually has a following of like-minded co-workers. As a group, they can prevent the culture story from becoming embedded in certain parts of the company such as a team, an office, or a job specialty. Another indication that you have this culture weed is when employees are specifically exempt from taking part in the culture improvement efforts because a manager successfully argues that the change does not apply to them. These employees are being protected by another weed under the claim that any change would harm something beneficial, such as the customer, or a profitable business unit.

Your cultural norms and practices must be analysed and brought to light if you have any hope of getting the payoff or return on your investment in human assets. When examining your existing culture story, you must probe into all 10 plotlines and identify the values, stated or otherwise, that receive attention.

The next case study involving our client Tony will place a ribbon around this information about leadership’s impact on the culture.

Case Study: Accountability and the New Chief Executive—Tony

Recall our fictitious case study characters Linda and Tony. Tony must address a boss who is causing problems that could result in lost business.

Tony’s New Boss Part 1

‘Our new chief executive, Jocelyn, is so inexperienced; I know more about the business than she does’. This was in the e-mail I received from Tony requesting another coaching session as soon as possible. He normally did not complain, so this issue must have reached a high pain level for him. At this next session, I guessed that Tony decided he needed to tackle the penultimate problem: help his boss, the chief executive, become a much better leader.

The day before this scheduled coaching session, I received another e-mail from Tony. It cryptically read, ‘Jocelyn would like to meet with you before our scheduled meeting. Can you arrive two hours earlier? She has something on her mind and I believe it affects me. Should I be worried?’

I recalled something that Tony had told me about his boss. In a previous session, he explained that because Jocelyn did not come from manufacturing, she was often out of her element when it came to discussing manufacturing issues. According to Tony, 'She doesn't want to get her hands dirty. Jocelyn likes to be in charge but not take charge. I feel that she needs to get some hands-on experience and spend some time understanding our business. She sticks to her forte of sales management and enjoys building relationships with customers, but I noticed in several recent meetings that she cannot answer certain questions. She frequently shows her ignorance about the manufacturing process in front of employees, customers, and vendors. I feel embarrassed for her when she does that. I am not sure she is aware of her inability to speak the language of manufacturing. So far other managers, including me, cover for her, but one day it's going to bite her'.

Not sure what to expect, I did as he suggested. The moment I arrived I was ushered into the chief executive's office. Cutting to the chase, Jocelyn said to me as I sat down, 'Ron, I would like to discuss with you an aspect of the work you've been doing with Tony. I have seen tremendous growth in his leadership abilities, but my concern has to do with his technical responsibilities. From what he has explained to me, a lot of your work has been on the touchy-feely parts of leading. As you probably know I'm a bottom-line type of person. I want to know if some of the things he is doing or going to work on will help us financially'. She stopped speaking, sat back and somewhat impatiently waited for my reply.

Wanting to avoid sounding defensive, I replied calmly, 'Tony is making great strides at strengthening his team so that he can become more strategic. In fact today we are going to be covering some areas that affect your organisation profit-wise. It is like a chicken and the egg situation. Tony was unable to provide you the high level support that you needed until he had a good team. In order to have a good team, Tony needed to enhance his team leadership skills, and he has exceeded my expectations. Now that he has accomplished that goal, he will be able to devote more time and attention to what you need him to do, that is to be strategic and help improve both the top and bottom line of this great company'.

I could tell from her facial expressions and body language that we were not talking about the issue that she really had on her mind. This was just her way of trying to size me up before she got into what she really wanted to discuss with me.

We talked some more about Tony's progress, which I was glad she had noticed. As we did she relaxed. Deciding that I needed to move this meeting along I said, 'I know you have something on your mind. Please tell me what it is so that I might provide some insight or perspective'.

Her Real Concern

'What I would like to discuss is how I can get my other executives to be as accountable as Tony has proven to be'.

I asked her for examples of the sorts of behaviours that caused her concern. She listed them off, as if they were practised. I noticed that she did this without providing me any names. I asked several probing questions, then I offered some suggestions of things she could do as a chief executive. To anchor why she needed to do this sooner rather than later, I shared an experience about a chief executive and her challenge with her team's accountability.

Story—The Executive Who Played With Fire

Karen, the executive director of a department that operates within a well-known university, inquired if I would help her shift the culture of her department. This unit's mission is to make sure that the employees of the university follow safe practices. The 40 or more employees within her department conduct investigations, provide safety training, set policies, and follow up on incident reports. Their work is vital for ensuring that the university's employees are not put in harm's way as they conduct their employer's business through a wide variety of activities, from education to research to administration. Of course the university does not wish to get sued. Therefore, this department's work is very important and visible.

Karen told me that employees wanted a change and asked for more accountability. Weeks earlier, Karen's management team conducted an employee survey regarding their concerns and one topic that came up consistently (from the employees' point of view) was a clear need for greater accountability. Amazingly for months, this management team had been lamenting to one another about the lack of accountability.

I was conducting a one-day seminar on accountability at the university. Karen and several of her team members attended to find out what it would take to put accountability back into their culture. After experiencing a taste for what was involved, Karen approached and asked if I could help her. I agreed to.

Early in my five-day workshop on how to create a culture of accountability, everyone gets involved in a simple and fun activity called 'Who Deserves It?' It goes like this: I provide real money to a group of employees. If, in a short amount of time, they are able to reach a decision unanimously on who in their group most deserves my money, he or she can keep it. However, the activity is a no-win situation because of the ringer. Each group has an undisclosed person whose job it is to make sure the group cannot agree on who most deserves the cash. The ringer, if he or she follows the directive, is there to make it so no one gets the money, thus ensuring that I get to keep my own money.

Yes, it is a sneaky and somewhat underhanded exercise. Yet when we debrief it, this activity opens up the discussion about what accountability is and why people need it to be successful.

An executive on Karen's leadership team, Diz Loyal, decided not to play this game fairly. I set him up as the ringer for his small group. He ignored my instructions and made sure that one of his pet employees, a beautiful young woman, was awarded my money. During the debriefing discussion when I asked Diz Loyal why he failed to follow instructions even though the other ringers had, he said 'I do not like you and I wanted to thwart your plans'. In a sense, he was sending me an overt message about his commitment to accountability; he did not have a commitment to it!

Despite what you may be thinking, I am grateful that he acted that way because the behaviours that people engage in during this powerful activity mirror exactly the type of employee behaviours that contribute to the problem the organisation is experiencing regarding accountability.

As preparation for these workshops, I interview the client's employees to get a sense of their culture and learn employees' point of view about the issues. As I was conducting this research for Karen's unit, an employee, Kevin, told me a story. He was instructed to dispose of dangerous material in an unsafe way by Diz Loyal. When Kevin said, 'No, I won't', Diz Loyal applied extreme pressure on Kevin to do as he was told. In my research, I was informed by many employees that Diz Loyal was the least accountable manager, thus making him a bad influence and dangerous leader. This is one contributing factor of why accountability was lacking in their culture.

I also discovered, through our assessment process, that Karen's leadership team felt that employees were the ones not being accountable to the goals and the policies. The employees felt that the executives and managers were the ones not being accountable to the policies and the goals, so management mistrusted the employees and vice versa. This was a second contributing factor. In addition, the employees were angry that my training was mandatory and they felt that my change efforts should be directed solely at management because they (the employees) were not the problem! I brought these and many more issues out into the open during these five days.

A week later in a debriefing meeting with Karen and her team, I informed them, 'The behaviours your employees are engaging in, such as not being fully accountable, are a reflection of the type of culture you the leaders have created and fostered.

'My first concern has to do with the mixed messages the employees get from you'. I cited specific examples where the policy said, 'Do this' but the employee was told, 'Do that'.

'My second concern is that you, Karen, have little awareness about how members of your team are behaving and influencing this culture.

'This department has a large group of employees who are angry, frustrated, and feel entitled to their jobs. These attitudes and feelings also contribute to a disregard of accountability to the rules. This problem is a direct result of this team's actions. Everyone in this room needs to alter their behaviour in order to improve accountability'.

As you can probably guess, this was not what Karen and her team wanted to hear. They wanted me to wave a magic wand that would instantly make their employees behave appropriately. However, they were unwilling to see that they themselves needed to commit to being more accountable first.

Conditions there improved for a time, but the changes were superficial and did not last long.

Jocelyn's Confession

'I am just beginning to realise that I have a lot to learn about leading people. It came as a shock to me that our purchasing agent was doing some underhanded things right under my nose. I feel embarrassed and I recognise that I need to make changes. I'm not sure what sort of changes, but I know they are necessary. I just hope that there is not another Rod doing some underhanded things in this great company'.

We spent about half an hour going over some things that she could do to detect unprofessional behaviours. We agreed to meet another time where I would give her information on how to strengthen accountability in her team and company.

As it was almost time for me to meet with Tony, I needed to end this meeting. I disclosed to her that the purchasing group was one of the things that Tony and I were going to cover today. 'I believe by the end of this week, Tony will have a specific plan to help you deal with the dreadful situation Rod created. Can I ask you to think about his ideas and weigh the pros and cons of what he is going to offer you?'

Jocelyn agreed that she would and thanked me for spending some time with her.

SPECIAL SKILLSETS FOR CHANGING A CULTURE

Remember the eight unique skillsets that enable you to become an independent minded problem solver I introduced in chapter 2, 'The Change Agent's Package'? Here is the full list again:

1. Practise personal brand management
2. Practise Teflon®-coated mental toughness
3. Practise being a fortune teller
4. Put the good old days in perspective
5. Engage in possibility thinking
6. Know how to discern assumptions
7. Know how to change and shape a culture
8. Advise senior level people on the need to change the culture

We discussed the first six skills in chapter 2. Now it is time for last two, ones that enable you to sell change to your company, which means being able to sell your ideas. Many people are uncomfortable or unfamiliar with selling their ideas.

You will need to enhance several interrelated skills in order to frame your ideas appropriately and they fall into two categories: advising and leading change. As depicted in figure 4-1, a board at the top of the pyramid is balancing these two vital roles.

The leading change role is where you roll up your sleeves and perform the work of making change happen. To lead this effort, you must be able to sell your ideas, change paradigms, use your power to influence, and assist in writing the new culture story. Advising the leaders about change role is serving as the facilitator to the discussions and methods of introducing and enacting change. To advise well, you must be able to open up the dialogue for change, facilitate others to make decisions, manage people's expectations, and recruit more change agents.

Special Skill: Know How to Change and Shape a Culture

Whether you have the need to shift or even transform the culture of your team or organisation, this set of skills give you the confidence and abilities to do just that. A skillset is a cluster of related skills that complement each other and enhance the overriding skill. Imagine climbing a 20-foot cliff with just a thin nylon rope in your hand. Now imagine doing it with a cluster of different nylon ropes. Which one gives you comfort and confidence? The cluster of ropes. This is how a skillset works.

Getting Buy-In and Selling Ideas Subskill

Having fresh ideas is not enough. You need to enlist others to help you turn everyone's ideas into results. As an instigator of change you need confidence to obtain the support and resources from others so that you can produce results. People who are good at sales master this complementary skill.

When it comes to implementing change, you will spend a lot of time trying to sell your ideas to people.

After you get buy-in from the sponsor, you still have to convince the people who will be affected by the change and whose cooperation you need. The process is generally the same, except that getting acceptance is easier because you will have the approval of management. However, it will remain challenging to obtain their full commitment.

When you present information about a change plan to individuals or small groups, you should take advantage of individuals who can enhance the plan's acceptance. Employees who are confident are able to influence others who may lack this characteristic. Individuals with relatively high self-esteem are more influenced by information that contains optimistic rather than pessimistic information.

As a change agent you may want to enlist support from individuals who possess high self-esteem by drawing their attention to the benefits of the proposed change. These individuals are then in a position to advocate the proposed solutions.

Communication regarding a controversial issue can produce a rapid attitude change when the information is accidentally overheard or leaked through informal communication channels than when it is delivered through formal communication networks. Rumours, which flourish in the absence of formal communication, deliver information to employees throughout the organisation. As a change agent you must never overlook using these informal communication channels to deliver important, factual information about proposed change. You must also disrupt and end unfounded rumours or misinformation regarding the plans for change that are conveyed in the grapevine.

Shifting Paradigms Subskill

Paradigms are a limiting boundary of knowledge and awareness. A paradigm is a personal bias because it is a person's way of looking at the world. Our paradigms help us to establish boundaries. They tell us how to solve problems within those boundaries. People filter out anything that does not match their expectations. This is why we ignore or distort the facts and the truth. Changing paradigms causes everyone to go back to zero. The worst part of holding on to outdated or irrelevant paradigms is that our past success guarantees nothing.

An *excuse* is the explanation for the feeling you experience, which stops you from doing something new. An excuse lowers accountability for the person giving the excuse. The person who lets the unacceptable behaviour slide also becomes less accountable. You can usually tell something is an excuse because the person could have acted or thought differently but chose not to.

Example: Failure to Turn in Homework #1

You have heard the joke about a student failing to turn in an assignment, then saying to the teacher, 'My dog ate it'. The modern day version of this is 'My hard drive crashed and I lost the file'. This is clearly an excuse because the student is making up a lie to cover the fact that the homework was not done. In other words, the student could have behaved differently but chose not to.

A *limitation* is the real reason that you cannot do something new. A limitation could be something beyond your control. The difference is how you respond. When faced with a limitation you attempted to work around it and could not. The limitation could be a decision you made or a path you took that did not result in what was needed or required.

Example: Failure to Turn in Homework #2

Let's say this assignment required the student to interview one parent about what it was like growing up without technology. The student planned on speaking with one parent the evening before the assignment was due. Unfortunately, the parent had to work late. This limitation was mostly beyond the student's control. Of course, there can be an excuse within a limitation because you may be asking, 'Why did the student wait until the last minute?' or 'Why didn't the student ask another parent?' These are behaviours the student had control over. So when the student informs the teacher, 'I couldn't do my homework', that is an excuse for not overcoming a limitation.

With practise, you can easily spot the excuse, usually camouflage for not doing something, and the limitation, which is the real reason for an action or behaviour. When someone presents you with an excuse, you lack options to fix the problem and feel like scolding or punishing the employee who offers one. You often question the veracity of the excuse, 'I was late because of traffic'. With a limitation, you have choices on how to react, 'My car broke down on the way home last night'. You can respond with a solution, 'Next time, please call me and I will give you a ride'. Both the sacred cow slaying and pet peeve patrol are valuable tools for ridding a culture of excuses because they put employees' focus on limitations and away from excuses.

Example: Lack of Quality Services

Friday morning you receive a complaint from a fellow executive, Suzy. She informs you that your assistant controller, John, failed to give her the cost analysis she requested on Monday. When you ask John for the reason, he says, 'I wasn't sure what Suzy wanted'.

Is this an excuse or a limitation?

Clearly it is an excuse because John could have talked with Suzy or consulted with you, but did not.

Let me change the scenario a bit. Suzy gave him the assignment on Monday and on Tuesday, after working on it, John hits a snag. He sends her an e-mail with his detailed questions. On Thursday morning he reports, 'Suzy hasn't responded to my request'. Suzy is out for the day so you leave her a voice message and also a paper message on her desk asking that she respond to John's questions. Friday, when Suzy comes storming into your office complaining about John being undependable, you can deal with the problem properly because it was a limitation. You can address a problem without letting paradigms get in the way.

Outdated or skewed paradigms interfere with the smooth implementation of change. As a change agent, you can facilitate getting beyond excuses by employing all or some of the following techniques:

- Provide transparent information early and often
- Seek everyone's input and involvement in the planning phase of the work
- Explain the reasons behind a decision, point of view, or change
- Communicate the vision for what the future will look like after the change takes place
- Tell people what will change and what will remain the same
- Acknowledge all potential and real losses caused by the change
- Demonstrate the behaviours that you expect from others
- Tell others what they will gain from the change, once it takes effect
- Acknowledge the unknown and the fear it sparks
- Acknowledge their fears as well as your own
- Provide people with the retraining necessary for new skills and knowledge
- Acknowledge and celebrate the small wins and successes each time someone gets past an outdated paradigm
- Try each one until you are comfortable using them all

Using Your Personal Power To Influence Others Subskill

What you think about power is what you get. Think carefully. Have any of these thoughts entered your mind when it came to introducing change or convincing others?

- I have no power.
- I am powerful.
- We share equal power.
- I need power to get what I want.
- I am afraid of power.

Each of these thoughts expresses a paradigm regarding your power. Some individuals feel helpless, believing that they have no power, and others feel confident in their power. Some feel that they need to acquire external power to get what they want, and others are deathly afraid of people who they perceive as having tremendous power and influence.

There are two sides of power:

- *Side A.* Leadership power is the ability to take power away from someone or to limit his or her control. Power is a source of pressure or leverage and includes the ability to limit the choices others may have.

-
- *Side B.* Leadership power is the ability to make things happen. Power can be granted and shared with others (for example, non-leaders) so they can make things happen. Power is giving people choices instead of limiting them.

These two sides of power explain why many novice change agents fear their power or the powers that others have. Some change agents naturally embrace their power without any trepidation. However, power can be used to either empower or control others.

Why Power Is Important to a Change Agent

Power is an important component of leadership and change agency, but not in the way you usually think of it. The need for power when leading is not as important as understanding how it is used, mostly in the form of tactics and subtle messages. You need to understand the good and the bad of each type of internal power.

- *Reactive Power.* Reactive tactics designed to coerce someone are actually a level one or knee-jerk power. Although they may work to get an immediate reaction, this type backfires and creates conditions that harm long-term trust. The only time where this type of power may be beneficial is in an emergency situation or when the outcome has to be a win-lose and you need to be on the winning side.
- *Thoughtful Power.* The sort of power that helps you to both condition the outcome and gain an ally or support is level two or thoughtful power. Thoughtful power is usually unexpected and this can be its downfall. The other person may escalate and make things worse. You always need to anticipate how the other person might react to tactics designed to defuse tension.
- *Credibility Power.* The best source of power a leader and a change agent can have is unshakable confidence. This is confidence in knowing that you will get what you want without having to use power plays because you have done your homework, developed a plan, asked the correct questions, and clearly communicated both what you want and why you want it.

The power that comes with your position, wisdom, credentials, and control over resources will always open doors. The first downside to this influence is that you are expected to produce results quickly and live up to others' expectations of you. The second downside of this level of power is that you can be perceived as arrogant and hard to work with. There is a fine line between being confident and being arrogant and it can be difficult to detect the difference. An experienced chief executive can, but employees who have never been in a leadership role cannot.

Therefore, be careful when relying on this form of power when you are selling your ideas and getting people to engage in the work. This is an area where a coach or mentor can help you come across as confident instead of arrogant.

Recruiting More Agents of Change Subskill

As I stated before, making a culture shift, improvement, or transformation requires a concerted effort of many people. This effort often fails for the following reasons:

- Lack of middle management support
- Senior leaders fail to support or drive it
- Employees are not involved
- Senior executives try to accomplish it on their own
- Executives delegate it to entry level employees then ignore the effort
- The task is delegated to one person

Notice many of these are caused by not having the correct mix of employees recruited from the top, middle, and bottom of the corporate structure to be agents of change.

If you are the one given the assignment to instigate or deal with change, you must take time to recruit other change agents. These are talented, caring employees who want things to improve and usually feel that they alone cannot make a difference. These employees are usually highly motivated. Recruit them to the cause, but do not overlook new employees who have not yet been indoctrinated into the cultural norms. They may be able to see sacred cows that tenured employees miss.

Here are two easy to implement tactics that will enable you to recruit those whose help and energy you will need. The tools for these tactics are located later.

- *The Pet Peeve Patrol.* Everyone has pet peeves! You get rid of them by empowering your employees to remove them. An employee's pet peeve about work, colleagues, and the workplace environment are often used as excuses to not make improvements and as permission to wallow in a victim mentality. This tactic requires a tool, explained later in this chapter.
- *The Hunt for Sacred Cows.* You have an opportunity to get employees involved as change agents simply by going on a hunt for sacred cows. As a change agent, your goal is to remove those things that are thought to be immune from criticism. Every organisation has them, even yours.

The following are some additional creative tactics to help you recruit more agents:

- Do your homework on the people who could serve as change agents
- Gain their trust first long before you ask for a commitment
- Express the desire for change through stories, cases, and concrete examples
- Communicate with simple and understandable language
- Use stories, analogues, and emotion-oriented demonstrations
- Take all the time necessary to make your case to them
- Maintain a positive sense of humour, especially about sacred cows and pet peeves
- Give honest answers to all their questions
- Be firm, positive, and upbeat; avoid negativity
- Anticipate their questions and practise your answers
- Test the person's interest level in your ideas using 'what if' scenarios
- Explain why you believe the person would be a valuable asset to your change team
- Position your pitch according to a potential change agent's frame of reference and most important need
- Emphasise the benefits about your need their expertise
- When needing a series of buy-ins, gain the person's agreement for each step before moving to the next

Special Skill: Advising Senior People on the Need to Change

Opening the Dialogue to the Need for a Change Subskill

The person who shows an interest in serving as a change agent can also become a skilled facilitator. This skill will serve you well when framing the question for a culture change and for being viewed as the internal expert.

Accountants have a golden opportunity to be of service as a facilitator to their employer because the work they do exposes them to all kinds of people, problems, and business situations. Your designation is a great piece of credibility and shows you understand a business's needs for crafting real solutions.

The keys to being a good facilitator include the following:

1. *Meetings.* Every business meeting needs a leader, but not every leader is a good facilitator. Most executives are poor facilitators because they may lack the necessary skills and because they have a stake in the outcome. There is a truism in business meetings: Once the chief executive speaks, everyone stops sharing their thoughts and ideas.
2. *Objective.* The facilitator's role is to be an objective third party in any group setting. The facilitator lacks an emotional investment in the outcomes or decisions. Your purpose is to ensure that the meeting's objectives get accomplished.
3. *Involvement.* The facilitator's involvement can range from heavy to light. Your main responsibility is to foster dialogue amongst the participants so they share ideas, stay open to new possibilities, and make smart decisions.
4. *Meeting Environment.* The facilitator's role is to create a meeting environment that is conducive to generating ideas for brainstorming and for honing those ideas with specific narrowing activities.
5. *Facilitative Situations.* The mere presence of an unbiased yet knowledgeable facilitator helps to defuse negativity and prevents hurt feelings while encouraging involvement. As a facilitator, you can also challenge the status quo, prevent group think, or deter domination by one person or a small faction.

Facilitators can be useful in any situation where people are called together to accomplish tasks such as the following:

- Generating ideas
- Finding solutions
- Allocating resources
- Problem solving
- Vendor selection
- Retreats
- Annual meetings
- Budget or marketing strategy sessions
- Budget resource allocation meetings
- Company reorganisation discussions
- Adopting new paradigms

All these require and benefit from an objective facilitator to help people think creatively.

Facilitating Decision-Making Subskill

The following is a list of requirements that will enable you to facilitate a dialogue about the need for change:

1. *Your Upfront Skills.* Facilitators need to enjoy being in front of a group and need to have emotional maturity. You must be able to think on your feet, because you will often need to improvise when problems arise or people get off topic.
2. *Your Emotional Intelligence.* The facilitator must also be unafraid of emotional issues that crop up in group dynamics. Your goal is to remove emotion from a conflict and turn it into a learning point. You help the attendees maintain professionalism throughout their decision-making process.

3. *Minimal Ego.* The facilitator must use minimal ego. The meeting is not about you, it is about them. You are their process facilitator and are less important than the decisions and meeting outcomes. Naturally, as facilitator, you do not contribute to the ideas of the meeting. Instead, you keep the group on track to meet their goals. Change agents who like to give advice and provide answers will not be successful as facilitators. Sharing your opinions—especially if you are highly regarded—will hinder your objectivity. Everyone loses when your opinions turn into their ideas.

To be successful in any brainstorming session, the ideas must originate from the group's attendees and not be introduced from the outside. This is another reason why most business executives make terrible facilitators; they are naturally an insider and consequently not neutral.

4. *Shepherding the Group.* The facilitator walks a fine line between letting the group explore and create and keeping the group on task. As facilitator, you must shepherd the group through the learning process and remove the barriers to a successful completion. If you drive them, they may not get to the most viable solution or stay accountable for the outcomes.
5. *Interaction.* You must play well with others. A good facilitator has a host of specific ways to get a group comfortable with one another, and you must have a pleasant personality allowing people to like and trust you easily.

The following three steps will allow you to gain experience as a facilitator:

1. *Take a course or get a certification.*
2. *Offer your services pro bono to get the experience you need.* Not-for-profits, homeowners associations, and local government units need but cannot afford professional facilitators. This effort creates visibility and cost-free practice.
3. *Co-facilitate with an experienced facilitator to practise.* Use this opportunity to obtain feedback on your skills.

Managing People's Expectations Subskill

This skill is allied with the previous skill of selling your ideas, but if you do not know how to manage expectations, you could be painted with blame. Even though the failure of a change effort can be directly traced to employees' improper implementation or management's failure to take action and not on the soundness of your advice, the blame for not meeting expectations can fall on you because you did a poor job of managing their expectations. This can happen to both inexperienced and veteran change agents.

Example: Fixing the Accounting Mess

If your client, the chief executive of an emerging organisation, really understood the accounting function, implementing a solution would go smoothly. However, the chief executive lacks this insider knowledge, so a poorly organised accounting department was allowed to exist, grow, and create other problems in the organisation. If people on the management team understood what it takes to perform accounting for a fast growing, cash starved, complex business, they would have invested more money and attention. However, they did not, so now you are asked to clean up the mess. They need your expertise and expect you to solve it quickly. Unless you take the time to clarify and then manage their expectations, you may not be successful in their eyes because the real issue will be to convince management that accounting needs more tools, training, and talent.

Rarely do the key decision makers in the company understand the full extent of the problem that they are asking you to solve.

This lack of knowledge includes

- the extent of the problem.
- the by-products of the problem.
- the full cost to remove or solve the problem.
- the time it takes to remove or solve the problem.
- the conditions that created the problem in the first place.
- the conditions that led to the problem being overlooked for such a long time.
- what people are feeling and thinking about the problem.
- ways that employees have creatively found to get around the problem.
- the cooperation needed from those who contribute to the problem.
- that many tangential systems and processes need revamping as a result of the problem.
- specifics of what it will take to prevent the problem from reoccurring.

Companies that engage you to solve a particular problem assume that you carry a magic wand. They believe that with your experiences and knowledge and a few incantations, you will save them! This is why you place a priority on managing people's expectations for each change project you lead. You have a primary responsibility to manage any unreasonable expectations placed on you and your efforts, and the following tactics will help you.

You get to decide when and how to use the following tactics:

- Be realistic about what can be accomplished
- Define the client's expectations up front and clarify often
- Define your expectations up front and clarify often—this prevents scope creep
- Get the client's commitment to the project and to you in writing
- Give the key decision makers regular status reports
- Invest significant hours at the beginning of the change project to understand the politics that will be involved in getting the problem fixed
- Ask the key decision makers the tough questions nobody else wants to ask (refer to the probing questions tool)
- Communicate and listen, then listen and communicate
- Be willing to occasionally be the bad guy, if necessary
- Never rest on your past successes because there is always something that you have not encountered before
- Use a sounding board of other change agents, both on your team and in other organisations
- Trust your intuition, but check your facts
- Instil accountability in the people who are assisting you make the change from the very beginning
- As soon as conditions change that affect the scope of work, meet with the sponsor immediately to recalibrate what needs to happen next
- Give decision makers multiple options and, once chosen, ask them to stick to what they chose
- Use empathy to see the issues through the client's and employees' points of view
- Be flexible and firm whenever the client wants you to revise the scope
- Put courtesy and compassion ahead of results
- Be willing to terminate the project if you suspect the client is playing games such as using you to carry out an undisclosed agenda

You never want to be in a position where you are blamed for your client's blunders. You will be the scapegoat if you fail to manage their expectations. Practise this skill often. It goes hand-in-hand with selling your ideas.

CHANGE AGENT TOOLS FOR TRANSFORMING A CULTURE

The rest of this chapter describes the tools you will need to in your toolkit to make the needed improvements to your organisation's culture. Like all the tools in this book, they work well singly but are especially powerful when used together. In the major tools, I will describe where this tool is best used in your change project. Review these tools along with the tools found in chapters 2 and 3 as outlined here, and based on the Triage Method found in chapter 2: 'The Change Agent's Package':

Phases of the Consulting Process

Phase one: Diagnosis (pains, issues)

Phase two: Solution (finding and testing)

Phase three: Selling (getting buy-in and implementing)

Strategic Tools

We already covered the tool used by Linda to write a new culture story for her company (**Tool #14: Culture Statement**). **Tool #15: Culture Assessment** is designed to assess and measure different aspects of a mature company or corporate culture. Additionally, **Tool #16: Conflict Assessment** will help you understand how to turn situations that lack process for conflict resolution into positive outcome possibilities. These vital change agent tools can be found in the downloadable content that accompanies this book. To demonstrate how these tools apply, you can understand its use by reading the case study. In our continuing case study of Linda, pay attention to how these tools saved her company money and lowered the pains of a merger.

Case Study of Applying the Culture Assessments—Linda

Recall our fictitious case study characters Linda and Tony.

'I believe that we can grow between 10 and 15 per cent annually over the next three years'. Before I could say anything, she held up her hand to silence me and added, 'Yes, I know that is a very aggressive growth plan, but we need to grow because until the real estate market returns to normal, our opportunities for organic growth will be very limited. In other words, I estimate that we could grow between 2 and 4 per cent by just doing what we do now and conducting business as usual, and the new sources of revenue won't have much of an impact for another two to three years. But the board wants me to strive for a growth rate closer to 10 per cent'.

'Be careful with that imperative', I said. 'All too often, that sort of mandate fosters pressure which can lead to excessive risk-taking'.

'I will be careful', she protested lightly. 'We will stick to what we know. I feel we can create this additional growth through mergers, a somewhat risky strategy. We are financially healthy and strong, and there are still many mortgage companies here in the Northwest that are good targets as a result of the lingering industry problems'.

I asked, 'Do you have any candidates in mind?'

She responded, 'We have identified a local mortgage broker that seems ideal. I had someone do a discreet investigation and we believe that they have good systems in place and some very talented people. I feel that the return on investment will be there'.

'But you have some concerns'?

Linda laughed. 'Yes, I do. Thinking about a merger is somewhat intimidating for me. In all my years of experience, I have not been through one. The employees who handled our mergers in past years no longer work for us. This would be the first time for my team. But I know that you have been involved in mergers. Can you tell me what to expect?'

I replied, 'Of course. I have been through many mergers. Some of them have been successful and some not. But each time I acquired at least one valuable lesson'.

Merger = Marriage

'A merger is very much like a marriage. It is an act where two very distinct organisations come together and, for whatever reason, decide that being united would be beneficial for one or both parties. You could have a marriage of equals or a marriage where one entity is stronger and the other weaker. The marriage of equals usually leads to a successful merger. The marriage of a strong company with a weak one will inevitably lead to lingering problems'.

She nodded as she wrote.

'As in a marriage, each organisation has its own baggage in the form of its history as well as practices, people, and systems. And like the television show *The Brady Bunch*, it takes years for the separate families to figure out how to work together. For your situation, I assume this will be a merger of two healthy, functional companies'. I continued, 'So when one company agrees to be purchased by and merged into the acquiring organisation, everyone may experience a culture shock wave, especially if there is a clash of values and management styles'.

'Now let's talk about the drivers of a merger's success. Almost inevitably people want to measure the success of a merger by its bottom line. They only want an answer to this vital question: Does the merger make financial sense? To me that is the wrong question to lead off with. I believe that the most important aspect of a merger is always the culture. So the first question you should answer before deciding is, Will a merger of our cultures be beneficial detrimental?'

'Why?' she asked.

'Because the culture issue can make or break the success of the merger. A culture clash can and has undermined the financial goals or aims.'

'I know you want proof. In 1998 there were 11,665 mergers, acquisitions, and joint ventures put into place. These financial deals were worth \$1.62 trillion (US). That number is staggering until you understand the non-financial impact. Seven out of 10 of these mergers and alliances failed to live up to the financial goals. In addition, the organisations involved experienced an immediate 50 per cent drop in employee productivity. It took an average of 3 years after the merger for the acquiring organisation to recover its financial and operational footing'.

Her eyes were wide open, signalling that she now realised there was more risk than she had originally thought. I had more news to deliver.

'As your adviser and coach, I will warn you that there are two ways to blow a merger. The first way is to pay too much. As a CPA you intuitively understand that. The second is to mess up the integration of the cultures, which is what happened in 70 per cent of the past cases!

'For example, if you look at the 1998 merger between car makers Chrysler and Mercedes, it was not a merger of equals and deteriorated quickly into a huge clash of cultures. As a direct result, the Chrysler brand and identity almost disappeared. Daimler-Benz did not handle the culture integration very well, they lost money, lost market share, and harmed their reputation as result of that neglect. When Daimler later sold Chrysler, their losses amounted to millions on a deal that on paper was a perfect merger.

'In the case of the 2002 merger of Lands' End and Sears, Sears was the larger acquiring company, but was financially damaged. Lands' End was a financially healthy company with a simpler, employee-friendly culture, which was the opposite of Sears' bureaucratic, win-lose culture. Fortunately, Lands' End has not been greatly damaged by Sear's dysfunctional culture because it is allowed to operate independently. But then Sears merged with Kmart in 2004 and that was like two dysfunctional families living under one roof, each one hoping the other would be profitable! The impacts of this on the culture and profits of Sears and Kmart have not been positive.

'You tell me that this target company is operationally healthy and I know yours is, too. So the key to making this merger work is to find the positive aspects of their culture and blend those into your culture'.

Linda pressed 'Can you be more specific?'

'Assume that their compensation system works better than yours for retaining key employees. Assume that your loan processing systems are better than theirs. One of the first things that you accomplish, as soon as you enter into a merger agreement, is to get employees from both organisations involved and ask them to work together to blend the best of both cultures'.

'That makes sense. What else?'

'Another key to the success of this merger will be to integrate their employees into your culture as quickly as possible, but be sure to honour their culture. Get your existing employees to accept the new employees. One of the worst things that can happen in a merger is for the two companies to remain separate in terms of their identity. This happened when Boeing merged with McDonnell Douglas. Even 15 years after the merger took place, there were still parts of the company where the employees identified themselves as Boeing employees and others identified themselves as McDonnell Douglas employees.

‘There are three strategic things that must be completed quickly and efficiently in order to ensure a merger goes well. The first one is to address the culture issues. The second is to address the people issues. The third area to address is the integration of your separate systems. If you do all of them promptly and in that order, you will have the wherewithal in terms of support and infrastructure to obtain the financial results that you hope for’.

I added ‘In a typical merger, those areas are usually neglected. Later the acquiring organisation cannot figure out why they failed to achieve the financial goals that looked achievable on paper’.

‘So what can I do right now to properly plan this merger?’ Linda was ready for a solution.

‘I suggest doing two things. The first is in the form of a tool’. I pulled out several documents and handed her the first one. ‘You can use these checklists to understand the culture of the target company. The second thing that you can do is to have us conduct a culture audit’.

‘Is this the culture audit you did for Exemplar?’ Linda inquired.

‘Yes. It is a unique service we created to help define the reputation of an organisation from both inside and outside perspectives. We survey the employees to get a pulse on how they are feeling about their employer and its future. We engage in conversation with vendors, customers, and partners to get a sense of what they think and feel about the company. It is really an assessment of their reputation.

‘Our goal in a merger situation is to identify culture-based issues that would need to be addressed as you attempt to meld the two families into one. For example, the target company may believe that they have a solid relationship with their lender, but if we find out that their lender is about to end the relationship, the value of what you are acquiring goes down. We search for clues about the quality of their reputation and relationships with various stakeholders. We seek out the soft stuff that will make or break a merger’.

I gave her another document. It was a merger checklist that contained a suggested sequence of things to do, cover, and address when contemplating a merger. After studying the documents, I shared with her a story to give her more understanding of what to expect.

Story—Merger Lessons

Early in my career, as a management accountant, I was involved in a large merger that proved to be a valuable lesson. This is the sort of merger that involves thousands of employees and billions of dollars in stock swaps.

I had no control over the merger; however, I was intimately involved in combining the two very different accounting, budgeting, and information systems. I was the controller for a large distributor of electronic components, Almac Electronics. It was very a successful and profitable company, number one in its marketplace and owned by an international company, Lex, located in England.

The company that acquired us was in the same industry and a very large domestic company, about 50 times our size. Arrow wanted a bigger presence in the Northwest so they made an offer to the British company that owned us.

- *Lesson 1: Mismanaging Shareholders Investment.* My first lesson was discovering how easy it is for management to gloss over its mistakes by finding a hungry company with deep pockets. Of course, the merger was sold to Lex's shareholders as something that was good for them, but in reality, it was done to bail-out Lex's management. Lex owned and operated numerous auto dealerships in Europe and six years earlier its management had invested in an industry (electronic distribution) that they knew nothing about. After years of losing money, Lex management was frustrated and their shareholders were very unhappy. The Arrow Electronics merger was done to appease shareholders who ended up with a good amount of undervalued Arrow stock.
- *Lesson 2: Clash of Cultures.* The organisation I worked for, Almac had a decentralised, employee-friendly culture. Employees were empowered and one of our mission strategies was to employ the best and brightest. The company that acquired us, Arrow, was completely the opposite. Their executives preferred that non-management employees obey orders. Arrow's executives and managers were micromanagers. They dictated how much inventory a branch could carry, what the margins had to be, who they could sell to, and the size of the branch's marketing budget. Arrow did not allow any variations of this formula.
- *Lesson 3: Allocation of Overhead Costs.* Lex did not believe in allocating many of their overhead costs to its subsidiaries. They did rely on a centralised cash management system, and as a result Almac had zero cash on its balance sheet and we were not allowed to borrow money from anyone except Lex. Lex charged us for the imputed interest on the money we borrowed. Arrow, on the other hand, was a company that preferred allocating its corporate overhead to the hundreds of sales branches it operated. In addition to the typical chargebacks for accounting and human resources, Arrow had overhead charges for the branch's (1) use of the telephone system, (2) number of computer stations, (3) number of sales transactions, and (4) use of the corporate information technology system. Of course, this practice was in line with their philosophy of micromanagement using command and control.
- *Lesson 4: Competitive Philosophy.* Throughout its long and storied history, Almac was considered to be a friendly competitor. We had many competitors, and even though we were the top of our chosen marketplace, our executive team preferred to cooperate with our competitors and our suppliers. Arrow practised a winner-take-all philosophy. They preferred to engage in tactics aimed at putting the competition out of business and taking advantage of its suppliers.
- *Lesson 5: The Stronger Culture Wins.* In the end, the smaller and weaker culture lost, which was Almac's commitment to employee empowerment and industry cooperation. Early in the merger process, our employees all had to adapt quickly to Arrow's way of running the business. We had to shift our mind-sets as we worked in a strange and alien environment.

There were not many Almac employees who were offered jobs in the new structure. After the merger was completed, many former employees felt that, despite being unemployed, they came out ahead because they had escaped a toxic, unfriendly environment. It was not a surprise for me to learn that many of the employees who were offered jobs with Arrow quit within the first two years.

Back to Linda

Several weeks later, I met with Linda and four other executives in her office to present the findings from the reputation audit and other assessment work. 'I believe that the cultures of your two organisations would mesh very well. However, I need to point out some vulnerable areas that your management team will need to address as soon as the two companies begin to merge. There is a problem that could affect the price you offer'.

That got everyone's attention. I passed out small binders. 'I have bookmarked the section I would like to cover with you today'. They opened the material to a section titled 'Assessment of the Culture'.

'These are the tools I showed Linda. Culture assessment 1 helped us to determine if the merger candidate has any flaws in its culture. Assessment 2 helped us to determine if the organisation has a culture of learning. Assessment 3 helps us determine if they have a change-friendly culture. The conflict assessment told us if their culture hid or exposed conflict. This last evaluation is important because if you acquire the company, there will be a significant amount of learning that has to take place'. I paused to let the group study the information.

'From assessment 1, we found that they currently have a serious flaw and that is in the conflict around the organisation's goals. This tells us that their management team is not always on the same page.

'Assessment 2 let us know that overall the organisation believes in accountability, but they are not very good at goal setting and goal execution. Their employees do have a commitment to excellence. We found that management does not spend much time with the employees, which is another indicator why employees lack clarity regarding corporate goals. We also found the quality of leadership to be below average for an organisation of their size and age.

'In culture assessment 3, we numerically scored this organisation and they received a score of 66 out of 80. Their main challenges appear to be in two areas: (1) their goals are out of alignment with the mission, and (2) there is unresolved conflict amongst its leaders. This was confirmed by the conflict assessment. We found that although the employees generally know how to work out conflicts, their management team does not'.

We spent time going over our report and I answered their questions. Then Linda asked, 'Ron, what do you conclude from your reputational audit work?'

'If you recall, I said that a common mistake in a merger is to overpay for a company. Of course the price of an organisation is based upon both tangible and intangible factors. That being said, I would say the intangible piece that you might be overpaying for is the management of this company. They have dedicated and capable employees. They have a sustainable business model and a good reputation, but their management team is poor'.

Linda added, 'Members of this merger team have sensed that poor management is probably the reason they want to partner with us. The company's owners recognise they have a problem that they can't fix'.

I nodded and said, 'I would agree with that conclusion. Without this merger, they will survive and continue to flounder, but the value of their stock will drop over time'.

‘Speaking of value...’ Linda looked at me, waiting for my opinion.

I replied, ‘Overall I would say that whatever price they are asking you may want to discount it between 15 and 25 per cent for this management weakness. You will be inheriting members of a management team who don’t work well together and this will likely create all sorts of headaches once the merger papers are signed’.

Linda stood up, indicating she had somewhere else to be. ‘Thanks for this work; I will explain our findings to the board tomorrow and show them your report’.

The Big Payoff

One month later, Linda reported back that, using information we provided, her board lowered their offer for the stock of the target company. ‘Your assessment findings about the weakness of the management team were the catalyst for this lower price. They accepted our lower offer without hesitation. So thanks to you, we saved over half a million dollars, and we also know where to put our attention’.

Tool #17: Pet Peeve Patrol and **Tool #18: Sacred Cow Slaying** are tools that help to identify and mitigate cultural complexities in the workplace. The detail description for these vital change agent tools can be found in the downloadable content that accompanies this book. To demonstrate how this tool applies, you can understand its use by reading an upcoming case study. In our continuing case, Tony’s employer utilises two vital tools to make major improvements to the cultural norms (areas that were the cause of employee unhappiness).

Case Study of the Pet Peeve and Sacred Cow Tools—Tony

Tony gets the firm’s chief executive to grow more in touch with what employees are concerned about by using pet peeve patrol and sacred cow hunt tools.

Tony’s New Boss Part 2

Tony greeted me with a radiant smile. His normally tense and fidgety persona was missing along with his normal frown that indicates when he is worried.

At this coaching session, Tony decided to tackle a huge and intimidating issue—his out of touch boss. We made small talk until he signalled it was time to get to business when he said, ‘The employees at Clear Water Better Coffee Company (CWBC) tend to isolate themselves from one another. The company, as a whole, is a macro example of what my team was like before I was hired. But there is a bigger problem looming’, Tony stopped to collect his thoughts.

‘Go on’, I said.

'As I told you in my e-mail, Sarah resigned five weeks ago and the board of directors quickly replaced her with a new chief executive, Jocelyn. She has been on the job for only two weeks and already I can sense that people are not accepting her. From what I have seen so far I think that she will be a great boss, though she does not understand the business. She has a strong sales background in food services but has never worked in a manufacturing environment. To get her up to speed on our finances we've met almost daily so I have gotten to know her. I think she understands that she can trust me. So today I want to cover suggestions on what she can do to swiftly win over the employees, most of who are used to Sarah's micromanaging style of management. Can we do that?' Tony paused.

'Of course. These sessions are designed to help you succeed and that may mean coaching you on how to coach your boss'.

He nodded in agreement. He seemed more open to that suggestion than he had been when I suggested he could coach Sarah. As a budding change agent, this was significant progress.

'There are many things you can suggest to her, Tony. One that comes to mind, which can have a huge and immediate impact, would be for Jocelyn to launch both a sacred cow hunt and a pet peeve patrol. I can show you how this works by examining some of the sacred cows that you have within CWBC'.

'Sacred cows? You have talked about that before but remind me what they are'.

'A sacred cow is any practice, system, perk and benefit, or thing that is considered beyond reproach. Someone, usually in a position of power, protects it and does not let anyone touch it. Can you think of things in your organisation that are like that?'

Tony said, 'Yeah I can think of several crazy practices that frequently crop up in employee conversations'.

'What are they?' I asked. I grabbed my notepad. This is the list I created from Tony's observations.

CWBC's Sacred Cows

1. *Payroll confidentiality.* The way it is handled now doesn't work because everyone knows what everyone's salary is, yet what the executives earn is kept a deep dark secret.
2. *Company cars.* Only certain people, Sarah's confidants, were issued a company car, and the rest of the managers and executives have to use their own.
3. *Training budgets.* It seems like the manager with the loudest voice is the only one to get budget dollars for training, and the rest of us don't and this hurts employee morale.
4. *Lunch scheduling.* At the building we work in, members of my team must stick around the office during lunchtime and cannot leave the premises. That restriction however does not apply to the sales, human resources, or tech people who also work in this building. None of the other departments at the other two locations have this requirement. It makes no sense.

5. *Company credit cards and expense reports.* The executives are not required to turn in credit card receipts or fill out formal expense reports. In addition, they are not reprimanded when they use the company credit card for personal purchases. The managers, like me who are issued a company card, are treated differently. Our expenses are closely scrutinised and recently one manager was demoted for accidentally using his to charge a personal expense. There are other employees who could benefit from a company credit card and yet I am not allowed to provide them one. The decision on who is issued one seems random.
6. *Retirement funding.* The company is established and profitable yet we do not contribute money to employees' 401(k) accounts. Sarah claimed, "We cannot afford it", but somehow, every year, she and the rest of the senior executives are given a bonus, which is then converted to a, quote, "company retirement contribution". The rest of the management group does not get this benefit. Meanwhile, employees are strong-armed into contributing the maximum into their 401(k), but the company refuses to consider any matching.
7. *Terminating non-performing employees.* Sarah did not believe in firing anyone so we have several long time employees who don't contribute yet they get to keep their jobs. Even human resources was unable to convince Sarah of the need to get rid of dead weight.
8. *Purchasing department.* Rod, our purchasing manager has built up quite a fiefdom in his department. I believe he is over staffed. He makes things overly complicated. They have literally barricaded themselves inside a section of our manufacturing building and almost no one is allowed in there. It's so secretive in that area, sort of like a scene from the X-Files.

As we ate, I asked him to describe his assessment of Jocelyn, his new boss.

Reaching the New Chief Executive

When I finished writing and pausing to analyse the situation, I expressed my thoughts. 'From what you describe about her, I can make some suggestions. The key to selling your ideas to Jocelyn is to accept that she is a marketing person at heart so appeal to her as if you are coaching a salesman. One way to do this will be to remind Jocelyn that she is trying to build a brand within the company; her brand is her way of leading the organisation. In order for her to know the appropriate way to reach out to the employees she must obtain some insightful feedback on how open they are to her style of management. By conducting an informal survey about what employees are most concerned about, meaning their pet peeves and your sacred cows, she can address them. She can use this as an opportunity to demonstrate that she is listening and doing her best to take care of them. Stress to her that the payback from engaging in this will be 10 times the investment. If she were to make a futile attempt to find out what employees think about her, it would not provide any insight because they do not know anything about her and the feedback would probably be negative, but a survey regarding all sacred cows and their pet peeves would put employees' focus on something that already exists, thus giving her ways to sell herself to the employees by implementing improvements quickly.

‘Because Jocelyn’s heart is in sales, simply remind her that she needs to sell herself to the employees, which she is probably aware of but may not have thought about. CWBC employees could be considered as potential customers and she must use numerous ways of getting to know them as she would any prospect. Jocelyn can simultaneously know and reach out to them by satisfying their needs and concerns with this knowledge about their pet peeves. Because you have been with the company longer than she has, you can easily develop a list of specific ways that the company will benefit by removing these issues, which employees now waste time and energy discussing and fussing over. This list will help you sell her on using these two tools. Do you think you can do that?’

Tony agreed. ‘I think this makes perfect sense. Because she has a sales background, she needs to market herself to the employees as if she was a product’.

To help Tony understand what I was trying to say, I related an experience I had with a management change and its costly toll on the culture and the people in it.

Story—A Sudden Change in Management

Early in my career, a Seattle electronics organisation recruited me to be their controller. This company was founded and owned by three talented men. They were professors at the University of Washington who developed a technology and a protocol that would help improve the problem of declining salmon population in Pacific Northwest Rivers. The company experienced fast growth as they rapidly developed a reputation as experts. Tom, a research scientist and Alan, an engineer, worked in the business but stayed in the background, and another scientist, Carl, the most charismatic of the three, held the position of chief executive and became the public face of the organisation. Carl got to set the tone, make the rules, and decide the direction.

After nine years of operations, this company was not doing as well as the founders had planned and it was affecting their wallets badly. Tom and Alan began expressing their disappointment but Carl ignored their concerns and suggestions. They blamed him for the company’s financial difficulties and wild uncontrolled fluctuations in revenues. Reaching a high level of frustration, Tom and Alan engaged in a palace coup and through their majority ownership, fired Carl and kicked him off the board. Tom became the chief executive and Alan moved into the newly developed chief operating officer role.

Immediately they began to implement changes and introduce improvements designed (they hoped) to make the company financially healthier. They, however, lost the trust of many employees and some of their clients. Alan and Tom worked hard in an attempt to rebuild the business but they did not anticipate the resistance and reluctance of the employees. The rest of the management team, consisting of three male managers, disliked Alan and either covertly or overtly pushed back against the improvement efforts.

At that point in time, I was hired as their controller to help the company become profitable and establish a budget and strategic planning process. Because I was not party to the palace coup, I was viewed by Alan and Tom as a neutral person who could have impact without being weighed down by the internal politics. However, my problem was that I became a man with an agenda. Some employees felt that because I was hired by Tom and Alan, I was their errand boy who was there to get rid of employees. The changes that I was asked to implement were perceived as suspicious instead of beneficial. It felt awkward to be the leader in the middle in my efforts to improve the culture and help the company become financially sound.

As a result of this experience I witnessed what can happen when employees and managers go through an immediate and unexpected change in senior leadership. Not having any experiences as change agents, Tom and Alan's positive intentions turned into negative consequences almost overnight. As a direct result of their inability to take control of this change I saw these painful and costly effects:

- The firm's culture fractured into two parts: those who believed in and supported Carl, and those who believed in Tom and Alan's new vision and management style.
- Every day there was a feeling of tension and unease caused by the widespread employee mistrust.
- Soon after this watershed event, several of their most talented key employees resigned and became our competition.
- Within a year the rest of their management team quit, having found jobs with our new competitor.

Because this major change was bungled from the outset it hurt the company, employees, customers, and shareholders severely and made a bad situation worse. It took years for the company to recover from the damage.

A change in company leadership is like a divorce with lots of hurt feelings and tense relationship issues. Unless you develop a viable plan to address the culture in a leadership transition, employee's concerns will grow and formerly solid relations will deteriorate. Mistrust will set in and become widespread, creating further problems and relationship challenges.

Back to Tony

'Tony, do not forget you are also in sales and you are selling Jocelyn on this particular solution, which you need to believe in. Once you are convinced that it works, you will be able to convince her that it is a viable process for getting people on her side.'

I provided Tony with some final encouraging words, 'Tony, if you go into this with confidence, she will understand that you want to help her be accepted. You already have rapport with her and as you stated, she trusts you. You can capitalise on that. Let her know that you have her back and have the company's best interests at heart'. We agreed to talk again right after his meeting with Jocelyn where he would explain the tools I suggested.

Follow-Up Meeting

Two weeks after Tony's meeting with Jocelyn, he and I met. I asked, 'How did your meeting with Jocelyn go?'

Tony was excited to tell me what happened. 'Jocelyn appreciated my suggestion about applying the tool to get rid of our sacred cows and the one for finding out employees' pet peeves. She grasped them quickly. She decided to combine them into an overall improvement programme and launched the effort under the name of Drive for Excellence. It has proven to be extremely beneficial. Employees came up with a good list of not-so-excellent things that they wanted to see changed, which I guess you could call their pet peeves. I used another tool you gave me, the affinity diagram. It worked wonders. Allowing employees to write their ideas confidentially so that no one would recognise who offered the complaint was genius'!

I allowed him to pause because in his excitement he was speaking rapidly and loudly. 'Thanks for the compliment, Tony. The affinity diagram is very good at both opening up dialogue as well as making sense of a lot of data, such as employee ideas'.

He continued. 'Here is what they are most concerned about'. He handed me a paper. 'There were over 75 pet peeves but the majority of complaints were centred on these seven there at the top of the page. These, I guess, are what you called the theme headers'.

Employee Pet Peeves

- The lack of meeting rooms
- The lack of a 401(k) matching programme
- The requirement for every employee to use time clocks, even the administrative salaried staff
- The lack of flexible scheduling (every employee must be in the office from 8 a.m. to 5 p.m. without exception)
- The tremendous amount of secrecy that goes on in the organisation
- The dated look of the offices and the need for better décor
- The ban against employees personalising their workspace

'Regarding the sacred cows, many of the ones I named are also on employees' minds. Two of their hot button topics are (1) the purchasing department's secrecy and (2) the number of employees who have retired on the job. In the last three months the deadwood topic has come up repeatedly in our weekly manager's meetings'.

Tony explained, 'Because Rod, our purchasing manager, attends all management meetings, no one brings up the problems he causes, but I know it is probably on everyone's mind'.

I consoled him, 'I hope that Jocelyn is sharp enough to recognise the problems Rod is causing. Remember, this is her first chief executive job, so it may take her time to realise her responsibility to address this'.

Tony explained, 'After I collated the results of the survey, Jocelyn held an all-hands meeting to announce the status of her drive for excellence programme. It was amazing to see employees' reactions. It reminded me of that scene in Harry Potter movies whenever someone mentioned the name of "He who shall not be named". To me it felt like a collective gasp took place each time she acknowledged the existence of something they silently griped about. So in my follow-up meeting with Jocelyn a few days later, she was pleased because she believes all those practices could get dealt with quickly. Some were practices she was not even aware of and she appreciated that these tools were able to place the spotlight on employees' concerns so easily'.

Tony continued. 'One more thing, I can sense that some key employees are getting past their initial mistrust and starting to believe in Jocelyn. In fact, a couple of them told me that they want to see her succeed. Then yesterday Jocelyn mentioned to me in a meeting that she is gaining respect from members of her team. She said, "This was a win for us and I am pleased that we got employees to focus on where we lack excellence. It will take time to gain their commitment but I can be patient"'.

Tony had a meeting to attend nearby so he stood up to leave. 'Your tools work! I like what I am seeing, Ron, and if these positive changes keep on happening, I may decide this is the place where I should stay'.

I replied, 'The elation you are experiencing is what being a change agent feels like. When you see things happen as a result of your suggestions and hard work you get this glowing feeling inside that is undeniable. Even incremental improvements from your suggestions give the change agent a sense of pride that leads to the desire to make things even better, which results in more suggestions and more improvements'.

Start Out With a Sample Benefit Statement

As the change agent, you must be able to convince someone with your arguments and logic. Selling ideas runs the gamut from simply stating the obvious to formally negotiating with someone. You often act as an expert who can explain why the change needs to be made and its cost. You may also be expected to solve a specific problem or clean up a distasteful mess. You may need to recruit the help and support of others. As a team leader you often do battle with those who refuse to support the team and people. You frequently must make a strong sales case for new resources and raises for the employees. Most importantly, you are continually selling people on the importance of improvements, such as better internal controls and being ethical.

If you are already a change agent, you spend a significant portion of your day selling ideas, whether you realise it or not. Ergo, the skill of selling your ideas is of utmost importance to you.

Change Agent Principles #42-45

You will sell your ideas better when you convert features into benefits.

People buy into benefits because benefits touch their emotional buttons.

People do not buy into features because they only hit their intellectual buttons.

You rarely buy into features, but you buy into benefits when it is something you are concerned or worried about!

Tool #19: Benefits Clarification Statement illustrates and explains best practices for selling stakeholders on the need for change. This vital change agent tool can be found in the downloadable content that accompanies this book. To demonstrate how this tool applies, you can understand its use by reading the case study.

In the following case study, Tony needed this tool to help a member of his team respond appropriately and buy into the much needed change.

Case Study of Creating a Benefits Clarification Statement—Tony

Recall our fictitious case study characters Linda and Tony. Tony needs his team to embrace a new attitude and uses a benefits clarification statement to get it.

The Dysfunctional Team

During my session with Tony, he wanted my advice on a major problem: the attitude of his employees. In his relatively short time at CWBC (four months), Tony quickly realised that the employees had unprofessional attitudes, but due to the ever-increasing workload, he had been unable to do something about it. Obviously, something had changed for him to bring this to the top of his to-do list. From my experiences with Tony, I know how uncomfortable Tony is when dealing with people problems, preferring to work on technical ones.

Tony said, 'I want employees to be able to shift their thinking so that they understand the meaning of professionalism.'

'Last week, Sarah called my entire group into her office and read us the riot act. She rightfully was upset because she has been inundated with complaints from other managers and executives that the accounting department is incompetent. She cited numerous examples of concerns about how accounting failed to do what was asked of them, provided sloppy reports, and more importantly was extremely uncooperative. I was nervous the whole time, but I knew she was speaking to the group not directly to me, because this started long before I got there. However, I still felt uncomfortable. I am certain that everyone in the room felt the same way. So, I think Sarah got everyone's attention... except for Benny. I do not believe he got the message about the urgency to shape up. He seemed to be smirking the whole time, but because he was out of Sarah's line of sight, I don't think she could see him making faces'.

I shook my head in amazement at Benny's brash behaviour. 'This will not end well for him'. I kept this thought to myself.

'What do you think I should do, Ron? I really like my job, the industry, and the company. I just need to make things better. I have been following my action plan we created from the gap analysis and it is clear to me that I now need to address the attitude problem'.

I tried to read Tony's face. 'There are so many emotions going through him right now. I can detect a mix of anger (probably at Benny) and embarrassment (at the chewing out)'. I thought to myself. I broke the silence. 'Tony, your attitude comes from your mind-set. Shift that, and your overall attitude also shifts'.

His response was predictable. 'Huh'?

'What I mean is that you want employees on your team to adjust their attitudes, right'? He nodded 'yes'. 'Then the way to do that is to work on their mind-sets. Have you ever considered having a team retreat? It would allow the team to go off-site and spend some quality time with one another, and concentrate on accomplishing something strategic without interruptions. This is a great environment to work on their mind-set'.

He paused to think. 'Yes, I think we need to do that because whenever we are in the office, we're so focused on getting stuff done that I feel that we don't have time to communicate or to focus on anything strategic'.

'I believe holding one now would be a wise move because you could use Sarah's scolding as a reason to hold this session and the purpose of it is to create a plan to make her happy', I said.

'My big worry, Ron, is that I won't be able to sell the employees on the need to adopt a more professional mind-set. I have talked about it before, but everyone looks at me like I was speaking foreign language'.

'The retreat will provide you lots of tools. I believe the best one for this situation is the benefits clarification statement'.

I then spent about 20 minutes describing the benefits clarification statement. After that, we worked on determining what a professional attitude would look like from the employees' point of view. A benefits clarification statement needs to address the 'what's in it for me' question for each employee.

Very quickly we drafted a rough version of Tony's benefits clarification statement. It is included in this manual as an example; I purposely left off some of the details. Tony and I went over the planning and logistics for his retreat. I suggested that he use the benefits clarification statement as his guide for selling the need for professionalism.

We started the process of using this tool by reviewing Tony's vision for his team. This came from the gap analysis that we completed at our first meeting.

I asked Tony to look at it from the employee's perspective. I asked, 'What are they most concerned about? What do you feel is their biggest gripe?'

Tony said, 'My employees dislike the hassle factor. What I mean by that is that it has become a daily hassle or struggle for them to get their job done because they lack the cooperation from their customers and their information suppliers. Of course, I realise that because employees are not acting professionally it is returned in kind through non-cooperation and non-support.

'So I think if I truly looked at the team's main frustration through my employees' eyes, they want respect and they want cooperation'.

I said, 'That is good, Tony. As a starting point, that will be your brief doorway into what professional behaviour looks like. From there, we will see what comes out'.

For the next 30 minutes, we threw out ideas at one another and when we felt we had enough listed, Tony put it on paper in the form of a draft benefit clarification statement. He read it aloud several times and we critiqued it, slightly changing the wording and adjectives.

By the end of an hour's time this is what Tony had created, which I felt was a good way to explain to his employees the transformation he was starting. He wrote it in a way that would put them at ease.

Tony's Benefit Clarification Statement

There is a great need for more professional behaviour as witnessed by our chief executive's heart-to-heart chat with us last week. What Sarah was telling us is that we are behaving like spoiled children and not like trained professionals. The complaints and comments made by those we serve prove that we are not professional.

When we adopt a more professional approach to our work, we will automatically gain respect and cooperation from our customers, the people we provide with pay checks, information, and analysis. We will gain back the respect and cooperation from our suppliers, the employees who provide us timely information that we must have to do our jobs.

I know that you want to have a job that has fewer challenges and hassles from relationship types of problems. When you approach your work in a professional manner you will quickly see a reduction in those challenges and hassles.

Even better, by approaching everything we do in a professional manner, every one of us will be held to the same high standards. You will know then that you are considered an equal with each team member. By acting as a professional, you will be honoured and respected as a professional.

I recognise that this requirement to become more professional will be painful and confusing for about six months. By that time you will have a full understanding about what it means to be a professional in your behaviour and demeanour and it will soon become second nature. Being fully responsible for your own behaviour allows you to have happy customers because you will communicate with them much better. Because your communications are smoother, you will find that customers will appreciate you more. You will feel empowered and good about the work you do.

Tony's Next Step—More Structure

'Tony, I suggest that you plan on developing two outcomes with the team. The first one will be a set of standards and the second will be a set of ground rules'. I showed him examples of what these would look like. I also shared a story related to Tony's concern.

Story—Doug, the Seat of the Pants Chief Executive

As soon as I decided to leave public accounting and jump into the private industry, I was recruited by a small, closely-held business in the Seattle area, an organisation that had been in existence for about three years but had growing problems. The main one was the company lacked professional management that it needed to continue to grow and their main creditor, the bank, was concerned about this.

Its founder and owner, Doug, was a relatively unsophisticated gentleman who had worked for someone else and this was his first opportunity to work for himself. This business, launched because he was bored in retirement, grew quite fast, probably faster than he expected. He asked his two daughters to join him in order to keep up with the new business.

Once on board, it did not take me long to assess what this organisation needed. Even though my title was controller and treasurer, the expectation was that I was to be a change agent.

Two crucial things that Doug's company lacked were (1) a policy manual and (2) procedures. Because Doug ran the company by feel, or the seat of his pants, his daughters, Candy and Dorothy, strongly urged me to develop structure and implement policies that were legally or critically necessary.

My first action was to hold planned management meetings where the four of us (the leadership team) would meet every Friday to hash out issues, policies, and practices. Doug said often, 'Whatever you think we need to do, Ron, I will support you'. Dorothy and Candy said they would, too.

One problem that cropped up immediately was that Doug occasionally changed his mind. It is natural for a leader to rethink the situation in light of new information, but that was not the case. It only happened when a family member was involved. If one of Doug's daughter's did not like a policy or decision, she would take it up with Mom, Doug's wife. She would lobby Doug, and suddenly, he rethought our decision. Not only did I suffer from mental whiplash, this renegeing on plans negatively affected the company. It was a pain, but it was the cause that I needed to uncover.

By treating this situation as a consulting project, I was able to study it objectively. The real driver of this organisation's lack of professionalism was that it was a family business where jealousy and sibling rivalry can create havoc if no one has the courage to curb it. Doug was a father first and chief executive second. I then knew why Doug had no backbone when it came to important business decisions. That was the main contributor to the problem. However, there was a second problem that showed up when, despite the fact that the management team agreed not to do it, Doug allowed his three daughters (he asked me to put his third daughter Ellen on my accounting team) to hire their unemployed husbands. Only one had skills that we needed, the other two did not, so Doug allowed his daughters to create work for their husbands and we took a big hit to the bottom line.

I also realised that Doug saw the company treasury as his own pocketbook. Because he felt an obligation to support his son-in-laws, he was willing to buy peace in his family by making unwise decisions. Maybe that was good for the family's needs, but to me and his lender it showed poor leadership.

I learned a lot from that experience. The primary lesson being he who controls the purse strings makes the rules.

Back to Tony

Tony reported back two weeks after our meeting via a Skype call. He informed me that they had a successful retreat. He said, 'I think I planted the seeds for a commitment from everyone to behave differently. I believe we are starting a new mind-set'. He paused. A big grin came to his face, though he tried to contain it.

I expected some good news but was surprised by what he said.

‘Something even better happened! Benny had a real attitude problem as soon as I announced our retreat. The day before the retreat I finally had a chat with them and due to some very derogatory comments he made, I terminated him on the spot. It was when he insulted me that I realised that he needed to go; he was not salvageable. Then, as Benny was cleaning out his desk, three of his greatest fans started crying. The day of the retreat, they failed to show up. When I returned to the office, I had three resignations my desk. So, one side benefit of the retreat was that those four, which were my greatest challenges, are no longer on my team. Now this gives me an opportunity to hire some people who will support this new attitude of professionalism’.

‘Tony, you have definitely gained confidence about how to deal with your team. You will continue to be successful’. We ended the Skype call.

How to Reward Change-Friendly Behaviours

Before describing the next two tools, I will address three important concerns that you may have about using rewards that shape behaviours and impact cultural norms.

1. My employees are unwilling to change.

Solution: Always set standards before you consider using any reward as a method for shaping employee behaviours.

2. My employees seem to be under motivated, even when they have the ability or knowledge to contribute more.

Solution: Inspire your employees to achieve a higher level of performance by (a) using recognition and feedback, and (b) incorporating pay for performance into every reward.

3. Despite the existence of a reward or incentive, my employees are still disengaged or not supporting the change.

Solution: Establish both formal and informal recognition programmes that will demonstrate the appropriate desired performance of adding value. The rewards are only given to employees who are engaged and leading the change effort.

Change Agent Principles #46 and #47

Rewards and incentives will alter your culture because you are inducing people to change behaviours.

Specific behaviours that are rewarded and recognised will be repeated.

Natural Laws of Leadership

Engaged employees will result in higher quality customer service, higher levels of productivity, continuous innovative ideas, outstanding retention rates, and impressive profits.

People bonding over a common purpose will pull together. When people fail to support a singular purpose, they contribute to creating chaos.

Tool #20: Admirable Co-Worker is an excellent tool to help foster employee support and recognize employees who act as change agents through times of transition. This vital change agent tool can be found in the downloadable content that accompanies this book.

The Challenge With All Rewards

From my experiences with rewards and incentives, more than 50 per cent of the time the employee will miss the point of a reward and focus solely on the reward itself to the exclusion of the goal or behaviour it is attached to. In extreme cases, your employees could get the reward and never alter their behaviour or engage in learning.

A sports example further explains why rewards are tricky when used to foster improvements.

Example: The Favourite Team

Getting a reward can be seen as winning a competition. 'To the victor goes the spoils' applies to winning a competition and to incentives. However, this is what can happen if the reward becomes the sole focus.

The favoured local team is about to lose the game of the year to an underdog opponent. During the last few minutes of the game, the players of the losing team ignore, bend, or even break the rules, and as a result they score enough points to win. The hometown crowd roars its approval for the team's success. They are the heroes!

But the team cheated in order to earn the victory, and champions do not cheat, right?

This can happen with incentives used to support change. You say 'change and you earn this reward'. The employees pretend to adopt a new behaviour, but once they enjoy the carrot, they go back to their old behaviour. If you use rewards to incentivise employees to adopt a change-friendly mentality, learn new skills, or improve their behaviour, always keep this in mind: There is a huge difference between complying in order to earn the incentive, and adapting and then deserving a reward for shifting permanently.

It is important to reward individuals, and especially the team, when they willingly make improvements and voluntarily become agents of change. Every reward or incentive you provide must be based upon the following natural law of human behaviour:

Natural Law of Human Behaviour

Behaviours that are rewarded will be repeated.

You must recognise employees' contributions, especially when someone they serve acknowledges receiving creative solutions. Rewards are both a form of acknowledgement and feedback. When these elements from a reward are lacking, change-friendly behaviours will cease because positive reinforcement is missing. **Tool #21: Rewards and Recognition** provides guidance on how to implement a rewards and recognition program for your employees who exhibit positive change agent behaviours. This vital change agent tool can be found in the downloadable content that accompanies this book.

Tactical Tools

To build your confidence in selling your solutions and great ideas, I am providing a process to follow. Except for people who sell for a living—sales personnel and chief executives amongst them—the average person does not understand that there is a defined process to selling others on your point of view. The starting point is to identify the problem. Emphasising the problem works to your advantage when it comes to selling ideas and solutions.

Natural Laws of Change #30 and #31

People and organisations will not change until the pain outgrows their tolerance.

People only change when the benefits clearly outweigh the costs.

The following tools all speak to tactical strategies to identifying, articulating, and gaining support for your point of view:

- **Tool #22: Buy-In Process.** This tool is used in conjunction with the benefits clarification statement and gain commitment formula.
- **Tool #23: The Winning Formula.** This tool is used in conjunction with the benefits clarification statement.
- **Tool #24: Gain Commitment Formula.** This tool is used in conjunction with the benefits clarification statement and the buy-in process.
- **Tool #25: Three Alternatives.** This tool will help you sort through the drivers that need to be considered when making tough or unpopular decisions.

These vital change agent tools can be found in the downloadable content that accompanies this book. I end this chapter with a story that anyone who has spent time with children will understand.

HOW LEADERS REACT TO CHANGE

I have two grandchildren, three years apart in age, and they love going to the park. Each has their own approach to dealing with change. Naomi, the first child, takes a cautious, thoughtful approach to learning new things. I will use the example of how she learned to ride on the swings at the park. At first, I placed her on the

swing and held onto her to let her get a feel for it, making sure she did not feel vulnerable. She likes to gain perspective from someone who knows more about the experience. This builds her confidence. Then she is ready to try the swing solo. After she convinces herself that the swing cannot harm her, she embraces it cautiously until it becomes routine. As her understanding rises, so does her readiness to experiment and learn more ways to enjoy the swing. Naomi took this same approach when learning how to ride a bike and swim.

Rafael, her sibling and the second child, takes a spontaneous approach to new things. He sees what Naomi is doing and tries to do it, too. He rarely thinks about what it is or why he is doing it, but he feels compelled to act because the person he admires is doing it. He decides he can ride the playground swing, too. Of course, he usually lacks the know-how or the ability, but that never stops him. I placed him on a swing, holding on to him as he got the feel for it. Gradually, I let him be in control of the swing. He would be on it for a few minutes then run off to do something else. Yet each time he saw Naomi on a swing, he asked me to place him on one as well. Soon, with experience and the confidence that comes with it, he is comfortable and stable; not to the same degree as Naomi, but enough that I do not need to hover. He is able to learn how to do something new ahead of when his sister learned to do it.

When it comes to learning and experiencing change, I play a different role with each grandchild. With Naomi, I provide the context, demonstrate how it works, and enable her to feel comfortable when trying something new. With Rafael, who needs no context, except the desire of 'I can do it, too', I demonstrate how it works and provide a safety cushion to ensure he does not get injured (or harm someone else). If he finds he cannot do it the proper way, I offer options so at the end he feels he accomplished what he set out to do.

When I feel they are ready for it, I show them what else they can do on a swing so they can envision themselves doing that. Afterwards, I always celebrate with them and show excitement for what they accomplished. When they are ready to face the next learning opportunity, I am prepared to take them where they want or need to go.

In any cultural change, you will have employees behaving like Naomi and Rafael. Some will embrace it right away and some will hesitate. Some employees need a context and others will not. Some employees will only adapt to the shift if someone holds their hand, and others will adapt because their peers are adapting. When it comes to feeling comfortable with the change, some employees will need lots of time to mentally adjust, and others are ready as soon as you say, 'go!'

Remember that employees universally take their cues about reacting to change by the reaction of those who lead them. Here is the reason that I tell the story of my grandchildren: Your most important role in a culture shift will be to convince the senior executives of the roles they need to take and why they must take the roles seriously. Keep this natural law in mind as you think about the following questions:

- If the chief executive makes light of the need to improve product quality, will employees take it seriously?
- If the board believes that adopting a governance programme is a waste of resources, what will employees think when you ask for their help to develop one?
- If you know your employees' skills need upgrading for an upcoming change in the accounting system, yet you work for a CFO who believes training is something professionals do on their own time, how much harder will your task be?

Changing the culture of a team or organisation is almost impossible unless you have the full support of those who most influence the organisation. This chapter is designed to show you how you gain that support.



APPENDIX

CATEGORIES OF ORGANISATIONAL CHANGE

Change in an organisation can be broken into five groups. Each one is not necessarily a standalone transformation, yet its characterisation informs you about how to best react to the change. Each one usually implies an important shift or a transformation of your culture.

1. *Unplanned Change.* A great deal of natural change takes place in every organisation. These changes occur independently of the leadership team's will or desire. It is possible to institute metrics that help leaders to identify success and to prevent the negative consequences of unplanned change. A subcategory of unplanned change that is not evolutionary in nature is a change that must be introduced as your organisation reacts to unusual situations. It is considered unplanned because it was something unforeseen during the organisation's strategic planning process. Examples include an entire industry becoming obsolete, a major product being banned or outlawed, and facing sudden regulation or deregulation.
2. *Planned Change.* Planning does not eliminate the need for planned changes. Planning helps your organisation prepare itself properly for changes that can be anticipated and minimise the number of hasty reactions undertaken in order to cope with unpredictable change. Planned change consists of those shifts and adjustments that are identified during the organisation's strategic planning process where your leadership team decides how to fulfil the mission and carry out the various strategies that support the mission. Examples include a merger or acquisition, a public offering, hiring a new chief executive or CFO, planned growth or contraction, and planned reorganisation.
3. *Imposed Change.* In today's organisation, a great deal of change can be imposed by either the leadership team or external constituents. Imposed change triggers resentment or negative reactions and employees' unhappiness. If change is initiated via a position of power and then imposed without discussion or debate, there will be an immediate negative response. The situation could remain volatile for a long period of time. A mandated change will be more effective when there are elements of participation, consultation, and open forum built into the change strategy. The leader of a team and organisation must think twice before deciding to impose a change because of its long-term impacts. Examples include changing employees from full-time to part-time or contractor status, outsourcing large segments of the business, relocating to another state with a more favourable tax rate, and a reorganisation demanded by a new owner.
4. *Participative Change.* People generally want two things once they internalise that change must take place: (1) to be adequately informed about changes so that they can be prepared, and (2) to influence those aspects of the change that affects them. The participative change process is slower and more time-consuming and costly than a mandated change, but the benefits outweigh these. A change where employees feel consulted and included gets implemented with more buy-in and acceptance and tends to last longer. A truly participative change helps your leadership team draw on people's experiences and creativity, which is difficult to capture when the change is imposed. Examples include a decision to allow telecommuting, a shift to flex time, implementing a mentoring protocol for new and young employees, developing a leadership development programme, and becoming an employee-owned entity.

5. *Negotiated Change*. In certain situations change requires negotiation and occurs when two or more individuals meet to discuss what is to be introduced, along with the benefits versus the cost to the parties involved. In a negotiated change situation, the support and the success of the implementation will depend upon the agreement that is reached among the parties. Basically, all the parties involved in a negotiated change are seeking to extract the maximum benefits. This type of change is often seen when a union or an employee group is involved. Examples include joining or ending a union, employees purchasing part of the business, and employees giving up benefits and hours to save jobs.

Example: Microsoft Versus Apple

Microsoft used to be at the top, an innovative change-friendly company that created an entire industry, but for several reasons transformed and became change averse. Microsoft's recent history is littered with 'errors, missed opportunities, and the devolution of one of the industry's innovators into a "me-too" purveyor of other companies' consumer products'. Over the last decade

[i]nconsequential pipsqueaks and onetime zombies—Google, Facebook, Apple—roared ahead, transforming the social media-tech experience, while a lumbering Microsoft relied mostly on pumping out Old Faithfuls such as Windows, Office, and servers for its financial performance.

'Amid a dynamic and ever-changing marketplace, Microsoft became a high-tech equivalent of the Detroit carmaker, bringing flashier models of the same old thing off the assembly line even as its competitors upended the world'. Most of its recent innovations have been financial debacles or of little consequence to its bottom line, and Wall Street noticed. 'Despite booming sales and profits from its flagship products, in the last decade Microsoft stock barely budged from around \$30 while Apple's stock is worth more than 20 times what was 10 years ago'. In December 2000, Microsoft, with a market cap of \$510 billion, was the world's most valuable company. As of June 2012, its market cap was \$249 billion. Compare that to innovative Apple who in December 2000 had a market cap of \$4.8 billion. As of June 2012, it was the world's most valuable company with a market cap of \$541 billion.

The story of how Microsoft lost its competitive and innovative edge

could serve as a business school case study for the pitfalls of success. From what began as a lean competition machine led by young visionaries of unparalleled talent has mutated into something bloated and bureaucracy-laden, with an internal culture that unintentionally rewards managers who strangle innovative ideas that might threaten the established [status quo].

The last decade has shown that Microsoft committed two major blunders: (1) not changing when indications showed it needed to, and (2) ignoring a culture transformation that became the unfavourable present circumstances.

There are four conditions, among others, that contributed to Microsoft's losing their innovation edge:

1. *Establishment of a take-no risks management philosophy.*

Microsoft failed repeatedly to jump on emerging technologies because of the companies fealty to Windows and Office. 'Windows was the God; everything has to work with Windows. Ideas about mobile computing with the user experience that was cleaner than with the PCs were deemed unimportant by a few powerful people that managed to kill the effort'.

This description is provided by Steven Stone, a former employer and founder of a technology group at Microsoft. The business divisions in charge of Windows and Office dictated the direction of product development, which led to the culture that crushed innovation.

2. *The end to the value of stock options and other perks designed to induce the creative people to be innovative.* Another shift that led to the creative idea stifling culture was the end of using stock options as the incentive for working hard and being creative. Due to losing half of its market value and the stock's diminished value, employees could no longer count on being guaranteed millionaires. Microsoft scaled back on its many perks, leading to bitterness over cost cutting efforts. As examples, the gold-plated health insurance plan (an enticement that lured many techies to work for them) was abandoned, white boards were scarce, and office supplies harder to find.

The strategy for success was turned on its head. Where once creating innovations was both the thrill of the job and the path to riches through stock options, guaranteed financial success could now be achieved only the way it was at the stodgy old General Motors or IBM—through promotions.

Employees began to believe that moving up the ladder was more important than making a creative contribution.

3. *Entrenchment of a bureaucratic system that led to a 'this can't be done' attitude.*

More employees seeking management slots led to more managers, more managers led to more meetings, more meetings led to more memos, and more red tape led to less innovation. Everything, one [former] executive said, advanced at a snail's pace. As the bureaucracy bloat grew, many senior long-term employees within the organisation 'were out of touch with the way the home users were starting to use computers, especially the younger generation'.

This description came from a software developer.

4. *Imposing a forced ranking evaluation process to determine which employees to keep, fire, and give raises to.* In 2001, another change in the culture that led to the 'path of self-immolating chaos' was the introduction of the forced ranking system. It was introduced at Microsoft as a way to determine who got promotions, but instead created a culture of 'doing everything you can to make everyone else on your team look bad. So the bureaucratization of Microsoft began. Some executives trace the [culture] change to' the appointment of Steve Ballmer as chief executive, but in truth the Microsoft era of fast cash was almost certainly the actual driving force that led to a bureaucratic, buck passing culture. 'The stack-ranking system crippled the ability to innovate at Microsoft'. Because employer reviews were conducted every six months, employees and their supervisors, who were also ranked, focused their entire efforts on short-term performance rather than the longer term needed for innovation.

The End Result of Not Being Innovative

'One Apple product, something that did not exist five years ago, has higher sales than everything Microsoft has to offer. More than Windows, Office, Xbox, Bing, Windows phone, and every other product that Microsoft has created since 1975'. In the quarter ended March 31, 2012, the iPhone rang up sales of \$22.7 billion versus Microsoft Corporation's entire revenue of \$17.4 billion.

Microsoft, some insiders say, has become the laughing stock of the industry. 'They used to point their finger at IBM and laugh. Now they've become the thing they despised', explained Bill Hill, a former Microsoft manager.

From: *Vanity Fair* August 2012.

5

FOCUS AREA #3—PROCESSES AND SYSTEMS

How can two people with so much space keep bumping into each other?

My wife and I are empty-nesters and live in a house that is approximately 2,000 square feet. Despite the amount of room, at least a dozen times a day we both try to occupy the same space at the same time. This happens any time we are in the house together. I cannot figure this strange situation out!

My wife and I use patterns that became habits. We follow these patterns without much thought. In other words, we focus on where we want to go or be and ignore the route it takes to get there. Why we crash into each other is a direct result of habitual patterns. My wonderment has a point that is related to being a change agent whose responsibility is to improve processes and systems.

This same phenomenon happens within a work process. At the onset of any work process, your employee puts a lot of thought into the path or steps that go into producing an end-result. After the employee has mastered the process, it becomes habit and he or she often ceases to think about the steps or path. His or her focus is solely on the end-result. Habit sounds nice because this should create efficiency. But does it?

Say an employee creates a new process of 20 steps. A review conducted one month later shows that this work process can be cut to 12 steps. However, because your employee's attention is on the end-result, they will most likely not notice the unnecessary eight steps. Even worse, most organisations rarely engage in any sort of proactive ongoing system and process review to identify non-value work.

Your primary role as the change agent in this focus area is to get all employees to put their brain back into their work. The brain part I am referring to is a constant awareness that nothing is perfect and there is always a better way to do something. You want employees to develop a keen awareness that requires them to adopt a continuous improvement mentality.

As the change agent, your instructions for introducing change into a process and system are to seek out unnecessary work steps, instil value in each process and work step, deliver no more than the process's customer wants, deliver no less than the process's customer wants, remove waste from any process or system, and (most importantly) help employees decide which waste or non-value work must be removed by prioritising.

I will put this into a sound bite: Your mission with a system and its processes will be to seek out where employee's efforts are crashing into one another, by way of any wastage of time or effort. Each time you notice a crash, relying on your employees' awareness and support, you will find ways to stop the crashes from taking place.

PUTTING THE BRAIN BACK INTO YOUR SYSTEMS AND PROCESSES

Successful change agents use a systems view when seeking permanent solutions for process flaws that lead to errors and waste of resources. A *systems view* is envisioning the whole process from outcome back to the beginning. When building and improving a system, you design the methodology to ensure the system delivers or produces what is expected. To be a master change agent, you must understand system dynamics or how they form, operate, and what makes them effective. This chapter will help you master the basics of systems so you will know how to shift or transform one that is not producing or is inhibiting value.

A *system* is a global or universal activity that employs processes to produce something. In order to function, an organisation has various systems within it, and even the organisation is a system. A typical organisation will have seven or more systems in order to produce value that (should) result in some sort of return, such as sales and revenues, profits, return on investment, and return on technology. Within each system are processes that are created to carry out the work of the system. The following list outlines the most common systems, but is not an exhaustive list:

- People systems
- Operational system
- Management and leadership system
- Technology and infrastructure system
- Marketing system
- Delivery system
- Distribution system
- Communication system
- Record-keeping system
- Accounting or financial system

A System's Building Blocks

Every institution is unique, just like snowflakes, fingerprints, and people. However, an organisation can be viewed through its basic building blocks, which are the four primary systems that are required for the organisation to deliver value and conduct its business. These four systems of an organisation integrate with each other and rely heavily on the previous system. There is a specific hierarchy to them because putting a system into place without its companion and precedent system will not result in providing value.

1. *Operational system.* The operational building block represents what your business or company is about. As I have stated before, an organisation must serve a purpose and satisfy some unmet need for its customers, clients, members, or constituents. Unless this intent is understood by those inside and outside the organisation, people will not know that it is important. Therefore, the first and cornerstone building block of any organisation is its operational system.

2. *People system.* The people building block represents the system put into place to identify the roles that are required and then how to select, manage, and enhance the people and their skills. You cannot operate a company unless you have people; therefore, developing a great people system is vital. This system is covered in chapter 3, 'Focus Area #1—People'.
3. *Planning system.* The operational building block represents the planning that must take place in order to carry out the organisation's intention. You need a game plan to describe and communicate the work you want your people to engage in, so developing a planning system is pivotal.
4. *Communication system.* The communication building block represents the infrastructures put into place to ensure that communication inside and outside the organisation takes place. In order for the work to get done as designed, developing a system for communicating is necessary. This system is covered later in this chapter.

Example: People System Contents

Embedded in your company's people systems, you have (or should have) the following:

- A hiring and candidate selection process
- A promotion process
- An advancement process
- A reward and compensation process
- A termination process
- An employee evaluation or feedback process

Benefits Created by a Good System

Change Agent Principle #48

A good system creates value. All the inputs that enter the system produce something that others want and value.

Value starts with innovation, which is defined as how a firm or individual makes money from creativity. Organisations and the people within the system seek to generate original or novel ideas and concepts that will culminate in providing new or enhanced products and services, processes that increase efficiency and productivity, highly competitive marketing strategies, or superior leadership.

The process of generating something new is known as origination. An original product, service, or idea is something that did not exist before.

Creativity is defined as the process of generating something new that has value. Each day you experience original ideas and concepts, but many may not have value, so they may not be considered innovative. A creation is something original that has value to someone else.

Innovation is the process of creating something new that has significant value to a system and its components, such as the individuals, group, organisation, industry, or even a society. Therefore, an innovation is a creation that has significant value to each of the system's users.

For a system to produce value, you need to design it so that the ideas generated within the system have the potential for significant value creation. Creativity is the springboard or catalyst to innovation because before you can have innovation, the system must be able to allow, encourage, and capture creativity. This is the reason much of this book and its wisdom concentrates on culture as the primary focal point of change management.

THE CHANGE AGENT'S SYSTEM IMPROVEMENT PLAN

Your overall game plan for introducing change to any system that fails to deliver value must contain two universal tactics. The improvement plan applies to any system and its processes, not just those in accounting. These vital actions are to (1) develop a global plan of attack for the improvement battle you are about to face, (2) document the system thoroughly, and (3) improve the team or group that uses and relies on the process.

Your Game Plan to Make Systems Work Better to Deliver Value

Having a change or improvement plan is important. Having the context for the change is even better! Typically, your company's systems impact your organisational structures.

Unless you can help others see the connection between work and value, you will never be able to achieve more efficiency, effectiveness, and improvements to your operating results. To enjoy the benefits of systems that generate value and processes that are productive, you need to change people's behaviours. If you do not get people to act differently, nothing will change, except for the continuation of work that wastes time and produces no value.

The first step when attempting to change employees' behaviours is to explain cause and effect as it relates to process flaws. Your organisation's key decision makers and modellers of the firm's culture must be engaged daily in helping their employees see the connection between their daily actions and the suboptimal performance your employer is experiencing. Box 5-1 outlines global strategic actions to create an environment within the team that supports process improvement.

Box 5-1: 10 Strategies to Support Process Improvement

1. *Explain why the system and its processes need revamping.* To accomplish this you must focus on where your organisation is missing the boat on sales, profits, asset growth, customer service, or other bottom-line activities. Be ready to answer the following questions:
 - What are our unexplored opportunities?
 - What are the lingering and debilitating problems?
 - How can the system's processes better support our organisation's mission goals, plans, or performance measurements?
 - Where are the systems not supporting our organisation's mission goals, plans, or performance measurements?

2. *Form a cross-functional team.* This change team will include both process users and beneficiaries. They will define the implementation strategies, tactics, metrics, and milestones that the new system will require. They will be the initial users, and later the trainers, and provide feedback on its quality and value producing capabilities.
3. *Sell the need for the change to those involved with the change team.* Explain how the new system will help them do their jobs better so they can make better decisions.
4. *Train everyone on process management and process improvement.* Give members of the change team a basic understanding of the work that needs to be done and teach them how to use the improvement tools.
5. *Select specific metrics that determine the process or system's effectiveness.* Once the baseline is established, use these measurements to see if the improvements are making things better or worse.
6. *Pilot the system and process improvements.* Select one discreet area to test. This will shorten the learning curve and create some quick successes that you can build upon. A complete company roll-out is risky and can be disastrous when you fail to test it out and roll out the changes in increments. Use the rule of 80/20 to select the easy victories.
7. *Make sure the data and metrics are accurately collected and understood.* For the new system to work, it requires pinpoint feedback data. If this is not addressed and achieved, you damage both credibility and comparability. Any data coming out of the new system or process will be based around erroneous information.
8. *Instil the continuous improvement mind-set into the process users.* Shift their focus from 'What's the least amount of work?' and 'Do it faster', to 'What value will this action generate?'
9. *Tie the value to your existing strategies.* The goals of the improved system and its processes must connect to the organisation's strategies. In other words, if employees are spending a lot of time working on an activity and it has no connection to your business model, you must redirect employees' effort to work that does connect.
10. *Tie compensation to achievement of value.* Use the performance targets, metrics, and process betterments, such as time and cost saving or productivity improvements. This is a controversial move because people not involved in process management may resent this. Use this impact on people's pay check as a message to send to all employees that improving their processes will also help them earn more.

Bob Gunn was a world renowned expert and consultant who provided wisdom to his clients and to the accounting profession. For many years, he served as columnist for the magazine *Strategic Finance*. His columns offered advice to people who work in support functions on how to add relevance, effectiveness, and value to their organisations. Gunn, credited as the originator of Lean Accounting, took a practical and humanistic approach to solving everyday problems. Years ago, Bob offered advice on specific focal points for process improvements in accounting. I retained his column and refer to it often. Before I share my suggestions on tools to use that transform bad processes, pay attention to Gunn's ideas for getting better results from your organisation's processes.

Gunn suggests the following focal areas are applicable in any process and with any employee and group:

- *Policy.* By increasing authority limits, you can immediately reduce redundancy and low-value work.
- *Process.* Eliminating and simplifying activities is a way to get rid of wasted efforts.
- *Products.* By asking your customers what they really need and how they use your information, you can redefine the work you do for them.
- *Pricing.* When customers see how much their mistakes, special requests, and exceptions are costing them (through impacts on the sales price), they will have an incentive to make changes in how they hand off information to you.
- *Place.* By moving activities upstream to their point of origin or by aggregating them so that one person has end-to-end accountability, you can create high impact.
- *People.* A little training goes a long way. Set high performance standards and targets and teach the skills people need to achieve them. Deal one-on-one with repeat violators.
- *Power.* Data is noise, information is the signal, and knowledge is power. Share the power with your customers and suppliers.¹

SYSTEM CHANGE STARTS WITH THE CUSTOMER AND BENEFICIARIES

The only way you will know if your system needs improving is to examine each of the four systems and look for ways to improve them so your organisation can do a better job of transforming its precious and often scarce resources—people, money, equipment, bricks, and mortar—into something your customers, clients, users, constituents, or donors want. I refer to this diverse group as the beneficiaries of the system and they can be located within the system or outside of it.

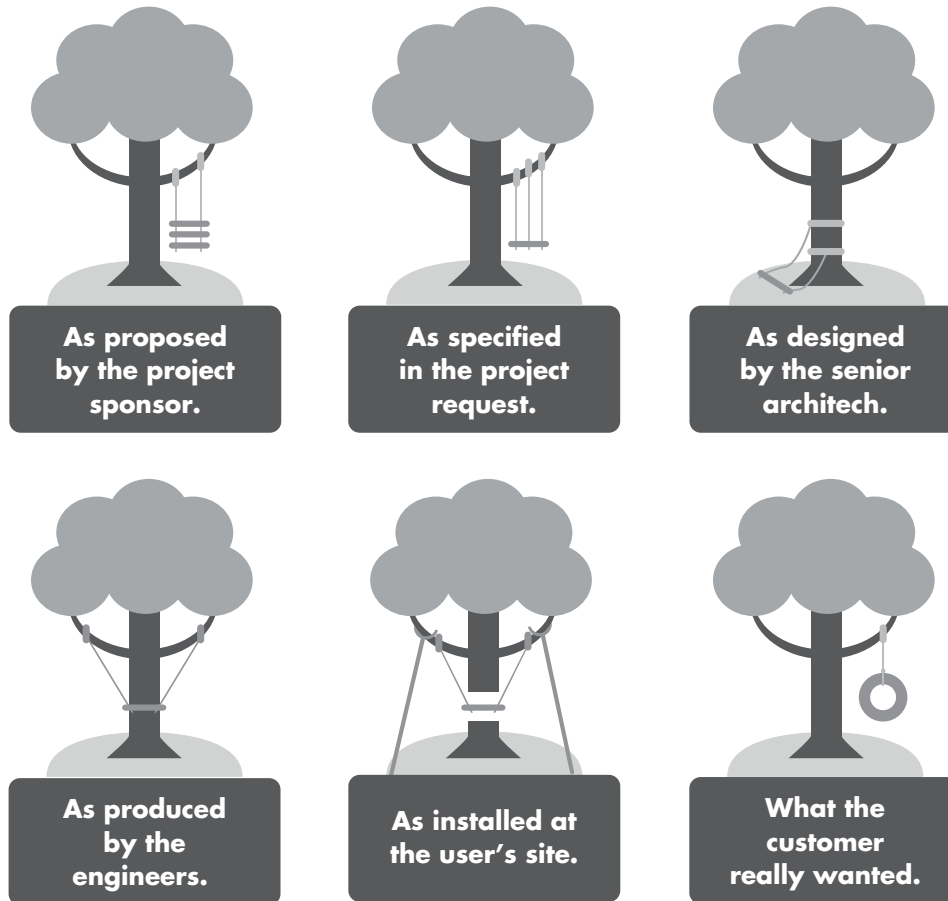
By now you are wondering, ‘Where do I start?’ If you are, it proves that you have the mind-set of a true change agent. Let us determine the answer.

Start From the Outside

All too often I see management accountants and others make this terrible mistake: they take on the challenge of improving a process or system by taking an inside-out view. Bad news! Your systemic challenge could be an attempt to speed up the general ledger closing, decrease the accounts receivable collection cycle, or improve inventory turns. All of this effort requires that employees focus on their work. However, the mistake occurs each time you examine the process through the eyes and filters of the person doing the work.

The best way to improve a process is to analyse it from the outside-in. This starts with knowing the processes a customer wants and needs. Once you have knowledge of those requirements, any process can be vastly improved by focusing on what the end-result should look like. You then design the system or revamp the process to make the product come out the way your customer wants it. The outside-in design of processes and systems is a core principle of continuous improvement programmes such as Six Sigma and The Toyota Way and the vital reason for this customer centric approach for developing systems and processes is described humourously in figure 5-1.

Figure 5-1: Customer Disconnect



I saw figure 5-1 early in my career and was intrigued. As I journeyed through my career, it came to mind every time I saw the customer disconnect what this cartoon illustrates.

Sadly, I see this disconnect to what the customer wants happening at least once a day.

The High Cost of Accounting's Disconnect

Numerous studies conducted on behalf of and funded by the American Institute of Certified Public Accountants of the work that management accountants engage in find that approximately two-thirds of the work the accounting team does delivers little or no value to your customers!

Let's explore what this means financially.

Example: A Waste of \$367,000

You lead a team of 10 people who work (ignoring overtime) 2,000 hours per year. That means that your entire team collectively puts in 22,000 hours of work. Assume the median pay for each person is \$50,000 per year, which translates to \$550,000 of labour cost. Two thirds of that cost or \$367,000 is wasted on not providing your customers value! What could you do with an extra \$367,000 next year? I would venture to guess that if I placed that amount of money into your hands, you would do something amazing with it.

Why do we continue to engage in work that produces little or no value?

I ask this brain numbing question frequently of the management accountants I meet, train, and coach. Their answers often sound something like, ‘We always do the work this way’, or ‘My employees just do what they are told and then go home’.

Other external excuses that change agents cite include the lack of time, lack of support, more important priorities, and too many or constantly shifting priorities. I suspect that these excuses hide the true reasons why systemic improvements go unaddressed and include the lack of courage, or a disbelief, that there are problems and there are solutions.

Yes, since 1980, these are excuses I hear consistently and repeatedly each time I challenge management accountants to address their disconnect problem. Just imagine if you were to address only the material wastage in your existing accounting processes. If you made the effort to address this problem, you and your team could have an extra 7,000 hours annually to do more things—work activities—that add value to your employer.

Recall the current transformation that I said the accounting profession is undergoing (in chapter 2, ‘The Change Agent’s Package’). Can you name the reasons why this much needed change has yet to take hold? Yes, the reasons I cited there are related to the excuses I often hear as to why the typical accounting team has not addressed the huge wastages of everyone’s time and efforts.

The dam that prevents the accounting team from unleashing a wellspring of ideas and great solutions to a flawed system (that is, accounting) and its processes can be described very simply.

Accounting is a process driven activity and because our brains are rarely involved in those processes, we miss the numerous opportunities to make the work more streamlined, efficient, effective, productive, and easier!

Whenever you attempt to improve a process you must also analyse the system it resides in to determine its collateral impact. Consider the three simple questions that I pose to audience members at accounting conferences:

1. *Who are accounting’s customers?* Every time, I pose this question to management accountants, they readily and quickly answer with these customer groups:
 - Management
 - Shareholders
 - Tax authorities and agencies
 - Vendors

- Employees
 - External customers
 - Anyone to whom we provide with information or analysis
2. *What do your customers want from you?* The predictable answers that come easily are accuracy, timeliness, responsiveness, and useful information.
 3. *What do these desires or wants mean to your numerous customers?* This question stumps nearly everyone in the audience! Then, I explain to them:

‘Because you look at the quality and conditions of your processes from the inside out, it is you who decides what timely, accurate, responsive, and informative means, and that is always the wrong approach to shifting and transforming processes and systems. This is your big mistake!

If you had the means to get an honest and straight answer from each customer group you serve, their answers to what timely, accurate, responsive, and informative means would most likely be very different than yours, and each customer group would have its own unique answer for each need’.

Example: The Chief Executive’s Unheeded Message

A CFO named Shari was under intense pressure to get the general ledger closed in two days. It was currently taking her team seven days from the month-end to close. I asked Shari, ‘Why is Bob (the chief executive) putting pressure on you to do this?’

She replied, ‘Because he wants to know what the month’s profits are by the second working day of the new month’.

‘Why?’ I asked.

Shari answered, ‘Because he has to report to the shareholders how much their dividends will be’.

I inquired, ‘How accurate does this amount need to be?’

Her response was, ‘One hundred per cent accurate’.

Later, I talked to Shari’s boss and I could tell Bob was quite frustrated with Shari’s team. I inquired about his concerns regarding information he need from accounting. Bob told me ‘It is embarrassing to wait for over a week to obtain a net sales figure, a gross margin percentage, and a profit estimate. What I really want from Shari, in the way of profit figure, is her best guess’.

‘Why do you need this data so quickly?’ I asked.

‘So I know where to get my management team focused for the next month’.

I then asked, ‘What sort of accuracy in these figures are you looking for?’

Bob said, ‘If she could give me a 70 to 80 per cent accurate estimate of these amounts by the first day of the month and then give me a more accurate figure, say 95 per cent, by the fourth day I would be very happy’.

(Please reread this carefully and notice the wide disconnect between what Bob needed and why he needed it, and what Sherry thought he wanted and why.)

When I related this news to Shari, she was shocked and sceptical. Yet, she stood her ground and told me, 'I am not comfortable giving my boss an estimate. I might be wrong'.

It was then that I recalled something a wise chief executive named Wendy told me early in my career. 'A CPA would prefer to be perceived as lazy by providing 100 per cent accurate figure too late than to take a risk and look incompetent by providing something with 80 per cent accuracy'.

Another chief executive, Gary, advised me, 'A CPA would rather be 100 per cent right than 20 per cent wrong'.

These business leaders were telling me that the CPA makes a huge career limiting blunder when he or she chose accuracy over speed whenever it comes to providing vital information. For most of the information that you provide to management, you can add value to it by providing reasonable estimates quickly on exactly what they need or want to know.

Over the years I have verified Wendy's and Gary's advice with other chief executives and universally they say the same thing: 'I want my accounting department to quit focusing on accuracy and instead focus on improving their ability to feed me good estimates continuously instead of waiting for the end of the month'.

Tony, my mentee, had to learn the lessons gleaned from answering the same questions I posed to Shari, and once he did he was able to assist his chief executive to realise that she had customers she was ignoring. Once this chief executive overcame her neglect and listened to them, her employees provided insightful feedback that allowed her to quickly transform her company's management system.

How to Know What Your Customer Considers Important

The starting point to making a transformation to a system, so that it delivers consistent value, is to look at why you are in business: to satisfy some predefined customer or client. However, the one often neglected factor that determines if your top-line, bottom-line, or asset-base is as good as it could be is your customer or client!

However, the problem is not always your customers and their demands. At least 50 per cent or more of the time the problem, which contributes to lower profitability or wasted efforts, is how you respond to your customers. You can discern this truth by paying attention to an easy to trace cause and effect chain. Too many organisations try to satisfy customer needs, yet the needs go undefined. Therefore, a lot of wasted energy and resources are spent in trying to deliver what you assume the customer wants. Only later do you find out that the customer wants something different. I will cover how bad assumptions harm systems and processes later in this chapter.

The first place you need to look is the place where most value failures occur: the lack of honest customer feedback. What does your customer consider important? Perhaps you should actually try asking the customer. The easiest way to do so is through a survey. Well-structured surveys that provide decision makers with timely feedback are often necessary to uncover the link that connects effect (that is, no value delivered) with the cause (that is, giving the customer what they don't want).

Systems, which are not currently generating value, often go undetected in your organisation because people are not paying attention to existing feedback. The most critical form of feedback is from the customer of each system. Your surveys of their needs and wants must ask the right questions to help you determine what the customer values. **Tool #26: Customer Survey** is used to find out what your customer values. This vital change agent tool can be found in the downloadable content that accompanies this book.

CHANGING A SYSTEM REQUIRES LEARNING

Learning needs to become a part of your culture story. All organisations that are flexible, proactive, and change-friendly use this technique, though they may refer to it in different terminology. The meaning of a change-friendly culture will be covered in the chapter 6: 'How to Prevent Backsliding'. When your employees are proactive in quickly identifying opportunities and making necessary shifts, you will rely immensely on the ability to learn from actions previously taken and decisions made. It is much easier to recover from negative effects of a flaw in a system when all employees invest time in learning from their success and mistakes.

How to Collect the Ideas That Lead to System Transformations

Natural Law of Change #32

A critical growth step in change management is to learn from both your successes and mistakes in equal measure.

You can add two protocols into any system that enables learning to inherently take place. The first is known as adapting practices and the second is incorporating lessons learned.

Adapting practices is a methodology of discovering, capturing, and then employing the best ideas. The application of best practices are based upon the concept that there is always a better way to do something. This better way could exist inside or outside of your organisation.

Another way to build up the muscles for learning quickly is to adopt a lessons learned protocol, which is the knowledge or understanding gained by experience that holds the potential to have a significant impact for an organisation's systems. Successes, failures, and near misses all are sources of lessons learned.

A *lesson learned* explains the experience gained during a project or other concerted effort involving people, time, and resources. This knowledge comes from solving real-world problems. Collecting and disseminating lessons learned helps to eliminate the occurrence of the same problems in future efforts.

A lesson learned is an experience or outcome of a particular course of action, either successful or not, that is important enough to be communicated to others. Certain knowledge is invaluable in learning whenever it is acquired from a breakthrough or from an adverse experience that causes an employee, team, or an organisation to dig deep in order to improve a process or activity. This includes figuring out how to work safer, more efficiently, or with higher quality.

The overall value in a learned lesson is the knowledge derived from the reflection, analysis, and conceptualisation of experience, which is then turned into wisdom. This newly discovered insight has the

potential to improve future action. Your lessons learned protocol not only fosters dialogue and forces cross-functional communication, it also helps you to address and mitigate normal and extraordinary risks.

Learning Must Never Stop

Natural Law of Change #33

Most organisations that have lingering painful problems or suffer deeply from the pains of change never learn. They repeat the same mistakes.

Your employees make smart decisions on a daily basis, innovate novel solutions, and think up fresh ideas. Sadly, no one knows about these successes because lessons learned and best practices are rarely shared. Failures and poor decisions are often covered up, thus preventing any insights from these mistakes, which if taken to heart could be used to an advantage. Therefore, you and others in your organisation may be destined to make the same mistakes again and again.

Best practice and lessons learned can both be easily implemented into a system because they inject value. All that is required is to get employees talking openly with one another so they can share these lessons and practices throughout the company. Seeking out best practices and seeing how the knowledge can be applied will help employees take off the binders that prevent fresh thinking and innovation. Both protocols require employees to engage their brains as they do the work.

However, having fresh ideas collected from seeing best practices and learning lessons is not enough to instigate the necessary improvements. In order to uncover specific ways to transform your systems and improve your process, you need a tool that enables quick and lasting learning. **Tool #27: Affinity Diagramming** can be used in every aspect of plans for change. I place it here because a transformative system must deliver value and, to determine if it does, the team tasked with making things better must gain focus and understanding.

Change Agent Principle #49

When you are unable to see clearly, an affinity diagram may be exactly what you need to gain focus and understanding.

The affinity diagram works in conjunction with the key question tool as well as any other work where brainstorming ideas, solutions, or even problems are required. This vital change agent tool can be found in the downloadable content that accompanies this book.

Importance of Information Chunking or Linking in Learning

An affinity diagram is so powerful that the Japanese Union of Scientists and Engineers consider it to be one of the seven best practice management tools. It is an amazing tool, one that deserves a place in your change agent toolkit. You may wonder, why does the affinity diagram work so well? I will explain.

When you group individual ideas under headings and then group theme headings under super-headers in an affinity diagram, you are chunking information. Our brains have a natural tendency to acquire and retain information that is chunked or linked. An affinity diagram is a great tool for assimilating and understanding

large amounts of information. When you work through the process of creating relationships and working backward from detailed information to broad themes, you get an insight you would not have otherwise captured.

The next time you are confronting a large amount of information or number of ideas and feel overwhelmed by the sheer volume of ideas, use the affinity diagram approach to discover all the hard-to-detect linkages and connections.

In our continuing case, you will see how Linda used affinity diagramming to collect and address numerous employee ideas.

Case Study of the Affinity Diagram Tool—Linda

Recall our fictitious case study characters Linda and Tony. In order to get everyone’s ideas out in the open, Linda applies the affinity diagramming tool.

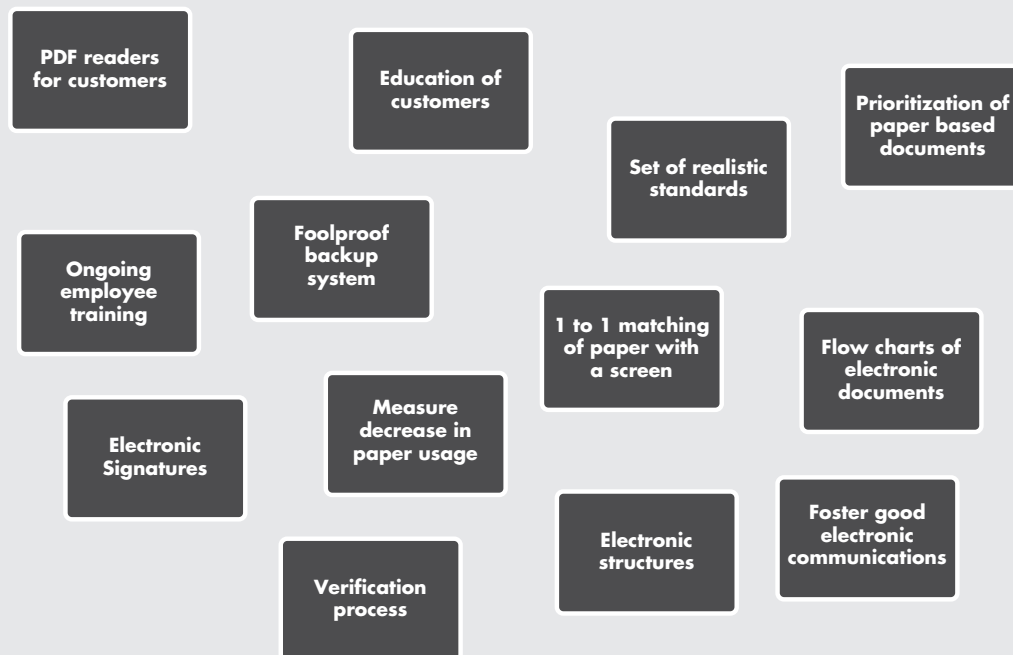
Gathering Lots of Ideas

Linda’s employees had wall full of ideas and now they need to be able to sort through them to come up with specifics in order to work with the software vendor. On the third day of this change team meeting, the agenda was to apply the affinity diagram to their great ideas to make sense of them.

I introduced Exemplar employees to the affinity diagram and showed them how to put their ideas and suggestions into specific categories and then seek out connections and linkages.

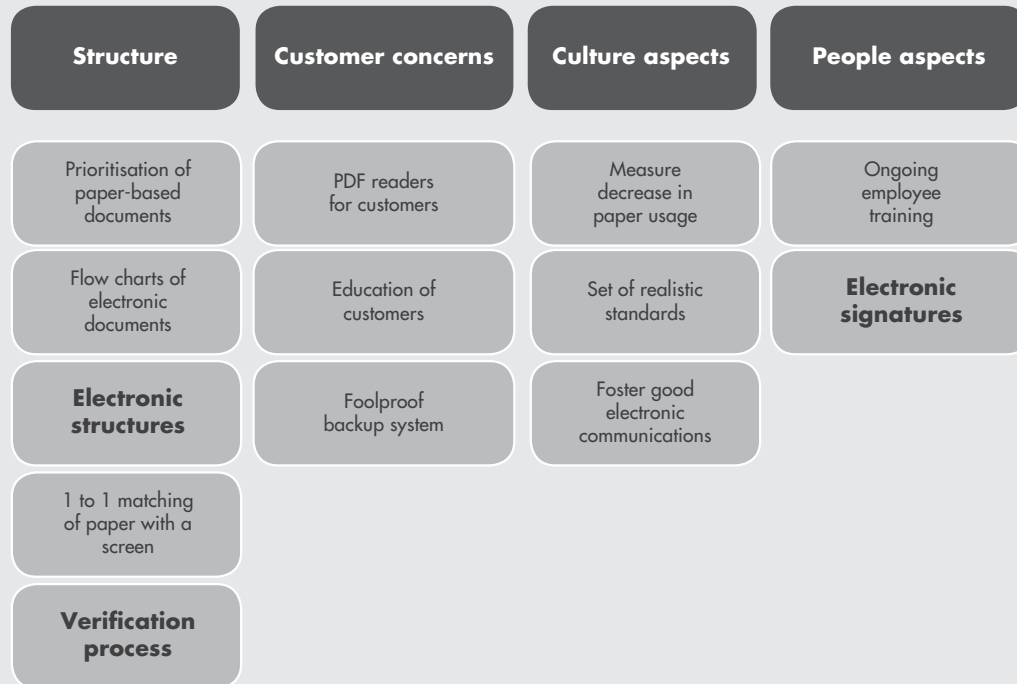
Here is a condensed summary of the ideas offered by Exemplar’s employees.

Results of Brainstorming (Step 2) the Requirements for Paperless System



This is a condensed version of specific categories defined by Exemplar's employees.

Affinity Diagram (Through Step 4 Before Further Categorising)



At the beginning of this major transformation effort, employees were concerned about Exemplar's future, but by the end there was far less concern about the organisation's destiny because this new system was the future and employees were excited about it. This process improvement effort also produced very strong bonds of cooperation throughout the organisation.

Their Next Steps

Now that Linda's change team used the affinity diagram and had a list of their needs and wants, we spent the fourth day developing an overall plan on how to make the vendor's solution meet their clearly defined software needs.

The next task in Exemplar's change strategy to go paperless was to work closely with the vendor and develop a solution that met over 95 per cent of Exemplar's needs. This took over five months. I was not involved with that effort because Linda had experts on her staff to handle the relationship, but it was fun to watch their progress from the side-lines. Linda kept me up-to-date during our subsequent coaching sessions.

As a direct result of all of this hard work, Linda found an unexpected pot of gold.

Linda's New Change Agents

Once the software was finished, Exemplar was able to get their new system up and running within 6 months. An unexpected, yet beneficial, outcome occurred when Linda and I identified 5 change agents (amongst their 50 plus employees) who could lead the transition effort. These 5 became the internal experts of the new paperless system.

The five change agents shined and excelled as they took charge of the system's implementation. It was completed in a lot less time than anticipated because of their dedication and hard work.

Follow-Up Celebration

Many months later, Linda hosted a celebratory lunch for her implementation team. At the luncheon, she praised their efforts and cited examples of how the revised system was already improving productivity and service. She quoted how much money the company had already saved on paper related costs and showed them the positive feedback Exemplar received from customers and referral partners.

During a break in conversation, I said, 'It occurs to me that because you are the only mortgage broker of your size that has this software, you are now the industry expert. It makes your organisation more valuable and somewhat unique. I wonder if there is a way you can turn this advantage into more revenue. Something to think about'.

The reason I planted this thought is because change agents engage in possibility thinking and I decided to model that behaviour to Exemplar's employees to see if it would take root.

SYSTEM CHANGE ENDS WITH DEFINED AND DELIVERED VALUE

The purpose of any system is to produce value, which in the business setting is creating something people are willing to pay for. Value comes from what is important. You start to determine what value is by looking outside of the organisation and dialoguing with your customers to define what they value. It may be hard to get employees to focus on providing value because they will be, by habit, focused on their job, its duties, and requirements. Most job descriptions lack information about what the employees must do that adds value to the system and customer.

The solution to this dilemma is to substitute value with what is important. This means that you ask employees to place a priority on doing things that their customer defines as important. In the accounting function, this is easy. I challenged you earlier when I said that you could survey all the various customers that accounting serves; you would have a large list of needs and wants that often conflict. Despite this distressing news, I have done this work for you. In fact, your accounting team's customers all agree they have five needs that they want met consistently.

These five needs can be recalled and taught easily by using a pneumonic acronym. What your customers universally want from you is described in the letters of T-E-A-S-E.

You need to TEASE each customer by being

- *timely*. Your customers define what timely means for them. For some, it might be an e-mail response within 10 minutes. For other customers, it might be giving them a specific data point by 10:00 a.m. on the 3rd workday of the new month.
- *empathetic*. This quality means that you view the work you do for them through their eyes and not yours. You recall the adage, ‘To know me, walk in my shoes for a while’. That is the epitome of empathy. It means that you place the customer’s needs ahead of your own and sincerely care about his or her feelings.
- *accurate*. This quality has nothing to do with the accounting profession’s definition of accuracy. When it comes to value, your customers want it right the first time. Yes, it seems like an impossible standard. However, think about how much time gets wasted each day when a task, a data entry, a report, a figure, a spreadsheet, or a budget is done incorrectly.
- *simple*. People in accounting have a tendency to add complexity to the work they do rather than simplicity. Your customers want the information and other things you provide them to be complete, uncomplicated, or presented in simple terms. One easy way to accomplish this is to get rid of all the technical and accounting jargon that your team now uses, starting with simplifying your general ledger account names and the titles of your reports.
- *easy to work with*. I often ask executives and managers what they would change about the group that does their accounting work (both internal and external providers). Their consistent complaint is this: They (my accountants) are so hard to work with! They make me jump through hoops and follow meaningless rules.

I know the rules and hoops often have a purpose, but unless you look at these through the customer’s eyes, you will not realise that they see this effort as producing no value for them.

So where do you start with turning the work your team does into something that produces value?

Your first act is to determine, measure, and improve what you are doing, and keep your eyes on what is important to the customer.

Improve in Order to Deliver What Is Important

Once you know what the customer defines as value, your team redesigns its processes to deliver that and only that. Often times, the typical accounting team acts like Henry Ford did when he launched the Model T. A reporter asked him if the customers could buy a car in their favourite colour. He said (according to lore), ‘Yes they can, as long as their favourite colour is black’. Henry refused to believe that Ford’s customers would want anything other than what he thought was best for them.

If I asked your team’s customers if you acted like Henry Ford, would they answer yes?

Measure the Important Things in Order to Deliver Them

Even though the basis for accounting is to account for things, not everything measured matters. This is one of the hardest lessons to learn for the CPA who shifts from serving as a regular management accountant into the role of a change agent.

Once you have defined TEASE for each customer group, you select measurements to ensure that this value is delivered consistently. Remind team members about these next truisms.

Natural Laws of Change #34 and #35

Performance that is measured will get managed.

You cannot begin to change performance until you can measure the performance you want.

The first metrics you select will be those to establish a baseline to measure the improvements against.

Example: E-Mail Responsiveness

Your chief executive announces that she wants all employees to respond to e-mails that are marked 'priority #1' within 30 minutes after receipt. She carefully defines the sort of e-mail messages that earn a priority #1 designation.

You believe that your employees are complying. However, how do you really know for sure?

You come up with a way to measure the response time for priority #1 e-mails and monitor this for a full week before making any change to how they are handled. You find that less than 30 per cent of priority e-mails are responded to within the time limit. You now have valuable information on which to act on and measure improvement against.

First, your team decides on an improved process to capture all of these urgent e-mails and make them visible to everyone so they do not fall through the cracks (that is, when an employee is out of the office and cannot respond to e-mails). Next, everyone makes a visible commitment to be more responsive to any e-mail marked as urgent, no matter who it is addressed to. Then, you set a goal of 50 per cent compliance for the next five days. Once that goal is met, you raise the bar to 60 per cent and repeat raising the bar until you get to your goal of 98 per cent compliance.

After 8 weeks of improvements, your team has a consistent 97 per cent response rate to priority #1 e-mails within the 30-minute window. You discover that due to the improved methodology, now all e-mails addressed to accounting get a response within 6 hours of receipt. Your overall response rate has improved because the new process was designed to add value.

As you analyse your customer's needs, remember to focus on non-financial metrics. Operational related metrics are the best type of feedback measurements because they can be precise and point out where the problem in the process or system is located. Financial-based metrics rarely provide feedback on the source; they usually only point out the pain. Performance measures will be covered in chapter 7, 'A New Beginning: Your Final Steps'.

Determine the Important Things in Order to Deliver Them

You create true understanding of your customer's needs by creating an ongoing dialogue with a customer or a groups of customers. In this dialogue you find out what they value and determine the best ways to deliver it. Using TEASE as your guide, you survey them, solicit their feedback, and meet with them regularly. Doing all three tactics consistently over a period of time will give you insights into what TEASE looks like for them. You

can take the actions found in following sections that will assist you in uncovering where your team's help and expertise is needed as it relates to what your customers define as most important to them.

- *Tactic 1: Ask for Frank Assessments.* Be sure to build into your improvement project an allowance for spending time with as many executives and managers as possible. Their insight combined with your financial acumen will give you information about what is needed. Your biggest challenge will be to recognise if they are being honest with you.
- *Tactic 2: Ask Lots of Open-Ended Questions About Why Things Are Done.* Throughout the life of your change project, perform most of your communication in the form of open-ended questions. This will help you determine what is most important. Answers to your questions give you information about assumptions and paradigms as well as clarity on value.
- *Tactic 3: Ask 'What-If' Questions When Learning About How Things Are Done.* In addition to your open-ended questions, as you begin to understand how process actions really get done, remember to ask a lot of 'what-if' questions. Employees who have been on their job for more than a year have a tendency to forget the reasons behind the work that they perform. Over time, employees have a tendency to repeat the same actions and decisions, without ever questioning why it is being done. For you to be successful, you must understand both the how and why. As you go through each process, think about key 'what-if' questions that will help you to identify changes that need to be made.
- *Tactic 4: Ask Employees to Describe Their Challenges and Obstacles.* Besides asking managers about the problems and opportunities, remember to ask employees about these as well. In a dysfunctional organisation (firms that are most likely to need a change agent), managers do not listen to employee suggestions and ideas. When this becomes part of the culture story, employees stop making suggestions for improvement. By listening to employees, you will get a long list of suggestions for improvement. Better yet, you will turn employees into allies and resources for your change project.
- *Tactic 5: Perform Analysis.* During your preliminary phase in the writing of your action plan for change, spend time going through recent external and internal reports. Just going through the numbers and doing proper financial and ratio analysis will give you a better understanding of both the problems and where you need to focus your improvement efforts. Seek out metrics that managers pay attention to so that you can help decision makers and customers spot the improvements once your team has made them.
The action plan refers to both the overall change strategy described in chapter 1, 'The Mystery and Misunderstandings About Change', and the action plan tool covered in chapter 6, 'How to Prevent Backsliding'.
- *Tactic 6: Investigate Customer's Spreadsheets.* Operations, sales, and other groups maintain their own spreadsheets of information to track what is important to them. Much of the data is operational in nature, but some of it is financial—information that affects the organisation's profitability. There are nine reasons for this potential duplication of effort:
 1. The accounting system does not track the statistics they need.
 2. The accounting team does not know that this information is important to track.
 3. The accounting team does not have enough resources to track the information.
 4. The people in that group do not trust accounting's data.
 5. The people in that group do not want accounting to know they track the data.

6. The data is used for analysis and decisions that the manager of the group feels accounting does not need to be involved in.
7. The data tracked is perceived as having no relevance or impact on the organisation's financial condition.
8. Managers frequently issue information that minimises or hides information that makes them look bad.
9. An incentive or bonus is tied to the information that is tracked and the group, or its managers, puts their entire effort on winning the carrot, even if that means scrubbing the data or emphasising only the good news.

Carefully re-examine each reason. If you are the controller or CFO you need to be concerned about each of these. There is a high probability that the group manager is using his or her information to manage and make decisions rather than yours. You may wonder why this is relevant.

Example: Hit to Accounting's Credibility

Assume a chief executive (or other senior executive) is presented with two reports: one prepared by an operational manager and one prepared by accounting. Each purports to present the same information, however the numbers and the story they tell are very different.

Which report will the chief executive believe is more factual, yours or theirs?

Over 90 per cent of the time, the chief executive will put more trust into the operationally sourced information than in yours.

In a healthy organisation, the credibility ratio of financial and non-financial data that managers use to make key decisions will be

- 80 per cent generated by accounting and 100 per cent trustworthy.
- 20 per cent generated by the operational group and 80 per cent trustworthy.

The accounting leader's goal is to partner with the operational manager to improve things so that the operational data is 98 per cent trustworthy.

You can add value to the various departments' spreadsheets and data feeds in two ways:

1. *Audit their data.* This requires you to delve into where the data comes from and the intention of the spreadsheet data that is collected and analysed. Then, if any of the information is used in decisions that affect the organisation globally and financially, you must compare the discrepancies and correct them. Quite often, the group will use raw data that has not been cleaned up by accounting or is one-sided.

Example: It's Accounting's Fault

The cost analyst for a manufacturing company (HRI client) would adjust the work-in-process and raw material inventories down to get rid of negative variances. His spreadsheets always showed a clean inventory that turned over every 15 days. However, accounting's inventories in the general ledger were off by the amounts of the unexplained variances because they were not informed about the adjustments (that is, write-offs) made directly to the detailed inventory records maintained by the cost analyst. The CFO's analysis showed the inventory turned over in 22 days. Sadly, the executive team believed that accounting's figures were inaccurate and manufacturing's were the correct ones.

However, when their CFO announced that there was a huge adjustment to the inventory at year-end, everyone blamed accounting for the profit hit it created. The sales manager and the general manager of production, along with his cost analyst, were awarded nice bonuses for achieving the targeted gross margin and inventory turns, but the CFO lost his bonus due the inventory loss. However, the loss was generated by manufacturing's group's inventory mishandling and production mistakes.

2. *Marry the data.* To avoid this train wreck I described in my example, marry your data collected and provided by the operational unit. Once you have audited their data and its sources, offer to co-issue reports that place your financial data alongside with their operation data to give executives a global picture of what is happening. This can be difficult if you fail to build bridges of understanding and cooperation and maintain them. You also pitch this idea to the executive team. When they see the value of this need for a well-rounded view of operations, it will be hard for the operating manager to refuse to cooperate with you.

To make this happen, you must be very responsive and quickly discover the causes of discrepancies between your data and theirs. This is why you must verify the integrity and sources of their spreadsheets and data feeds. Remember, your goal in making this improvement is not to prove that accounting's data is right and theirs is wrong. Your intention is to make your reporting system and processes add value to two of your customers: the executive team and the operational manager.

Flawed Systems Do Not Deliver Value

Never let business and activity blind you from a system that is not generating value. Because a system should add value to someone, the biggest flaw is when it fails to do that. This can occur even when it appears that employees are engaged and doing work. We will now learn how to detect a flawed system.

Cause and Effect in a Flawed System

Natural Law of Change #36

Frequently the impact of an action is ignored and goes unaddressed, so if the action results in creating a problem, no one is paying attention.

Every decision and action has a repercussion and this impact can lead to problems that you know need addressing. To do an effective job of ridding your organisation of these problems permanently, it is important that everyone understands this next dose of reality that enables you to be an excellent agent for positive change.

Principle of Cause and Effect

When I do this, that is the result.

Every pain your organisation experiences follows a traceable cause and effect path or chain. People unfortunately spend most of their time focusing on the effect—the pain—and rarely invest time on the cause of the system flaw, which produces pain. A systems approach to change management gets everyone's attention on the actions and decisions that cause a system to break down or not deliver value. You already know this on some level; however, frequently the impact of these actions is unknown or ignored.

As a professional accountant you integrate and install the chain of cause and effect in many things you are responsible for. You understand that if you instil the importance of fiscal controls in employees, they will (hopefully) respect those controls and follow them. As the person who prepares management reports, you believe that the insights contained in those reports will spur management in taking action to either continue doing what is working or change what is not.

If a system fails to deliver value you must work the chain backwards to find the cause. This is called a root cause analysis. Every decision, behaviour, and action has an effect on something in your organisation and its systems. In your efforts to improve systems, you will connect the pieces for others so they will understand the cause and effect chain. The tools described in this chapter will aid you in targeting how your firm's systems contribute to lingering, painful problems.

You know that every bad decision made in your organisation has a cost. Sometimes the cost is visible, like a broken production machine or a lost customer. However, sometimes the cost is invisible, such as wasted time or a mismanaged priority. The biggest cost of an ill-conceived decision is that it usually leads to a system breakdown or it goes undetected by a flaw in the system.

Your Tactics for Connecting the Dots in a System

At the start of this chapter, I noted that the change agent's primary mission with improving systems and processes is to put people's brain into their work. I refer to the global way you accomplish this as assisting people to connect the dots by emphasising the principle of cause and effect.

To have a culture-based commitment to find creative solutions and be change-friendly, you have to help everyone understand that each decision and action has an impact. In change management, you help everyone stay aware of the impact of important decisions before making them. You want people to connect the dots between an undesirable result and its source.

You have an infinite supply of tactics that you can use to help people connect the dots between the effect and its cause. I will highlight a few important ones. Much of the material in this book is specifically designed to help you show others how to connect the dots between their actions (cause) and the problems they create (effect). These tactics make the usually invisible chain that links cause to effect visible.

-
- *Tactic 1: Connect the Dots Via Ongoing Training.* Of all the system improvements actions, this will be the easiest for you to do. As an accounting professional you are constantly connecting the dots, especially in areas where others are unable to. You know the inside of business operations, you study systems and processes, and you understand cause and effect. The piece that you might overlook is to proactively share your knowledge and wisdom with others.
 - *Tactic 2: Connect the Dots by Asking, 'What Is the Cause and Effect Relationship?'* Notice that I posed this question as 'what' rather than 'who'. Using who implies that someone is to blame for the result and removes attention away from the cause, which is usually a flaw in a process or system. The second best way that you help people to understand the cause and effect relationship is through awareness, planning, communicating, and obtaining feedback. A focus on the flaw prevents the blame game from being played.

Example: The Blame Game

The blame game is an activity played to ensure someone else becomes the scapegoat for your screw-ups and mistakes. It is very popular in organisations that do not reward and honour accountability.

The blame game shows that rewards, incentives, and pressures are in place to ensure you look good and everyone else looks bad, a clear sign of a win-lose culture norm.

Playing the blame game allows people to get stuck in the drama that finger pointing generates and delays the effort of getting past the problem and then investigating and eradicating the causes.

The blame game is detrimental to process improvements because it puts everyone's attention on who went wrong rather than what needs fixing.

- *Tactic 3: Connect the Dots by Providing Immediate and Impactful Feedback.* Your next solution in addressing system flaws is to make it a rule that whenever there is a breakdown that leads to a bad decision or action and the cause has been determined, you must provide that information to the person who was asleep at the wheel. Feedback will be covered in chapter 7.
- *Tactic 4: Connect the Dots by Addressing Why the Employee is Behaving This Way.* All too often, you think your employees are concerned about the success of their employer or company and want to do their best. Only half of this is true. Employees want to do their best if they feel that, as their employer, you care about them and will help them to be successful in their career goals. However, if they feel that you do not care about them, then they will not care about the success of the organisation. They will move to the lowest common denominator of loyalty: I only look out for number one! A good way to deal with a potential system flaw and understand why a person acts a certain way is to imagine how a child would deal with the situation if he or she was frustrated. Once you can imagine that scenario, then you will be able to understand why an employee chooses to engage in an action or a decision that harms a system.
- *Tactic 5: Connect the Dots by Providing the Whole Picture.* Whenever people understand what the big picture looks like, they have the ability to understand their micro view. Unfortunately, too many leaders incorrectly think that employees do not need to see the big picture. These close-minded individuals falsely believe that an employee should only concentrate on their job, task, or responsibility and that the big picture will cause the employee to lose focus. However, the opposite is true. When an employee understands what his or her job is in relation to the big picture, then he or she is able to make sense of the rules, standards, and boundaries.

In a culture where employees are concerned about your organisation's success and continuity, employees need to see the big picture. Universally, management experts will tell you that whenever the employee does not grasp the big picture, his or her view of what is important is severely skewed.

- *Tactic 6: Connect the Dots by Creating an Atmosphere of Equality.* Everyone in the organisation must be held to the same high standards. There can be no exceptions! Once there is an inequity, employees notice and resent the unequal standards. Employees will always move towards the lowest standard. This unequal treatment is why managers rarely get their employees to be engaged in finding permanent solutions. Employees do not buy into the need to spend time or find the true causes of a system failure when their leaders put their needs above the needs of the employee.
- *Tactic 7: Connect the Dots by Ensuring That People Are Open to New Ideas and Learning.* As you learned earlier, a key element of fostering innovative problem solving is learning. A major aspect of learning is that employees remain open to new ideas. This necessity applies to everyone, executives and owners included.

Natural Law of Change #37

In organisations where employees have long tenure, learning usually does not take place because employees either have lost the desire or are being rewarded for not learning.

This law is a common thread I found in organisations I have worked with. Seasoned employees, including managers and executives, are rarely open to new or innovative ideas. Worse yet, when employees with fresh ideas miraculously make it through your screening process, they are discouraged from offering their ideas and soon leave. Being proactive in seeking out and applying novel solutions to lingering pains can be a daunting concept. A true test of whether your people are open to new ideas will be the amount of resistance you receive upon launching the ideas contained in this book.

- *Tactic 8: Connect the Dots by Developing Mutual Trust.* Trust is important and cuts both ways. This quality is often missing in most workplaces as a direct result of lip service paid to encouraging and rewarding learning, yet it is the one quality that will help to ensure the success of any improvement initiative. Employees must believe that their employer is looking out for their best interests. By demonstrating that you do, the employees will notice and begin to show that they are looking out for their employer's best interests.

The leaders must trust first and prove that they are trustworthy. Only then will employees trust their leaders and prove it by improving flawed systems and processes.

- *Tactic 9: Connect the Dots by Allowing Employees to Think for Themselves.*

Natural Law of Change #38

Managing change successfully requires that all employees think for themselves.

However, in real life empowerment in the workplace is rarely practised because of misapplied accountability, playing the blame game, micromanaging bosses, or disengaged employees.

In change management, all employees must have a sense of empowerment with an obligation to seek out what is not working or not adding value and then working to fix the problem. A key component that might be missing from your system's design is an equalising of authority with responsibility. Verify

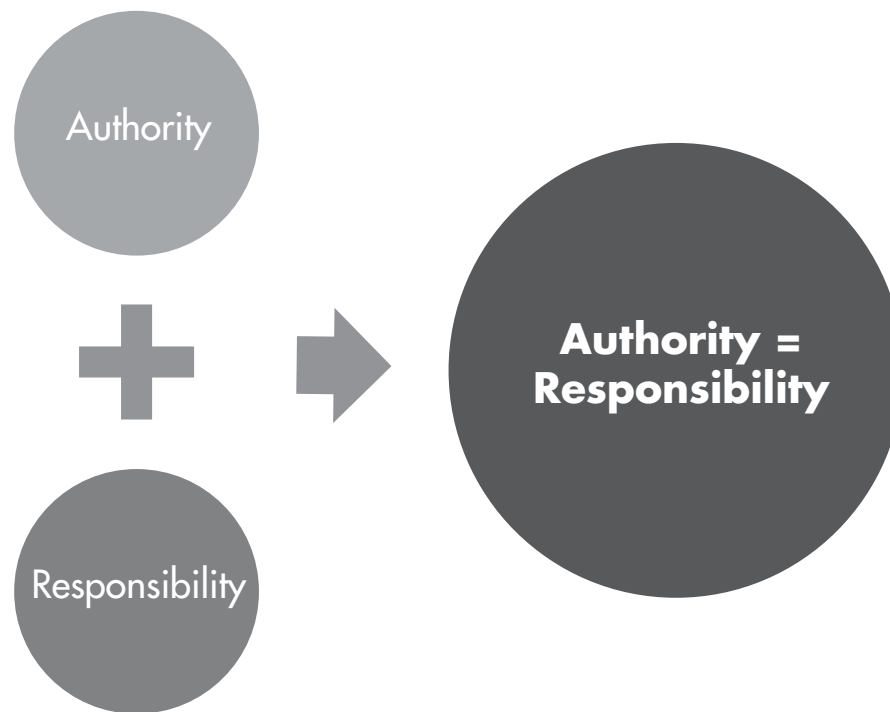
that employees believe and acknowledge they are empowered and ascertain that mutual trust and accountability are enhanced within the system.

Years ago, during a leadership session on empowerment in New Orleans, a very wise leader summarised the importance of this need to equalise authority with responsibility (she did not give her name, so I cannot give her credit for this astute observation). She told the group, 'If you make employees responsible for unlocking the door, give them the key'!

In your organisation, you are asking employees to fix problems—asking them to unlock the door—but you are not giving them the tools, the knowledge, or the authority to do something about the problem. Leaders refuse to give employees the key to the door. Innovative problem solving and being proactive in instigating positive change requires employees at every level, who are making decisions and taking action, to let leaders know when there is something going wrong. Employees need to know that they will not be punished for blowing the whistle. That is why leaders need to strive to match authority with responsibility so that employees can think for themselves.

In figure 5-2 you will see the two circles coming together to form one circle. Your goal is to try to match them up as closely as possible. You will never get it to be a 100 per cent match because the need for internal control affects empowerment and authority. These checks and balances need to be seen as empowering employees to take action instead of impediments to doing what is needed.

Figure 5-2: Matching Responsibility With Authority



Self-Directed and Empowered Employees Need a Plan

Just creating the environment where employees make improvements without asking for permission is not enough. They need an idea and a general plan of what to do with a system that fails to provide value to its users, customers, or constituents.

CHANGE AGENT TOOLS FOR INTRODUCING CHANGES INTO SYSTEMS

Because few employees have experience with designing and implementing a system, you need a way to explain how a system is supposed to operate in an understandable way. Two tools may help teach system implementation to employees: **Tool #28: Waterfall System Analysis** and **Tool #29: the four Ps protocol**. Another tool useful for getting employees to rise above the mundane and see clearly what is preventing a system from delivering value is **Tool #30: Key Question**. Reference each of the three tools in the discussion that follows in this section. The detailed description for these vital change agent tools can be found both in the downloadable content that accompanies this book.

Natural Law of Change #39

When learning is translated into innovative products or outcomes, the system is generating value.

To show you how easy it is to detect a flawed system or process that is not applying learning in ways that generate value, pay close attention to our next example.

Example: Technology Helping Individuals Navigate Keenly

This emerging technology company faces a challenge. The organisation has a bright future ahead because of its plethora of smart, talented employees and its innovative approach to helping people with disabilities use technology to live more productive lives. However, the initial funding has run dry and Technology Helping Individuals Navigate Keenly's (THINK) management team must now watch costs and expenses more carefully until the company can turn the corner toward sustainable profitability.

Parts of THINK's mission statement are dedicated to its employees and applied learning.

'Our mission and intention is to

- advance existing technology where it has not gone before.
- foster a change-friendly environment where everyone can adjust to a new focus.
- hire the best and brightest and engage them in innovative, out-of-the-box thinking.
- apply creative solutions that assist alternately abled people to live life to the fullest'.

THINK's management is deeply divided on how the cutbacks should be handled. The bottom-line focused side of the argument (consisting of the chief executive, CFO, and vice president (VP) of internal operations) proposes a set of goals that are described in scenario #1. The freethinking group (consisting of the VP of Research and Development, director of HR, and the chief technologist) proposed a set of goals shown in scenario #2. Numerous hours have been spent debating which set of goals will save the company.

As an adviser to the management team, you have been asked to weigh in with your opinion; a move that they hope will help break up the stalemate.

Instructions

First, read the company’s strategic objective that was written into its business plan, a plan so well-crafted that the company immediately attracted grants worth \$1 million from both the Office of Disabled Persons and The Bridge of Hope. Next, study the goals described in each scenario. Third, answer the questions that are listed in the following table:

SCENARIO #1	SCENARIO #2
Strategic Objective:	Strategic Objective:
Innovate technology applications to new areas and inspire fresh thinking	Innovate technology applications to new areas and inspire fresh thinking
Proposed Company Goals:	Proposed Company Goals:
Reduce expenses for all training or outside education	Invest in training so that every employee spends at least 60 hours annually in sessions of creative thinking and change management
Spend less time in meetings	Improve employee productivity by 22 per cent
Curtail costs such as conferences attendance, dues, subscriptions, and publications	Reduce waste by 57 per cent by streamlining processes and improving systems
Keep employees 100 per cent productive and reduce personal leave days by 50 per cent	Receive two improvement ideas from each department weekly
Close the company’s state of the art research library (which provides ongoing updates on the latest innovations designed for disabled people)	Establish a tuition reimbursement programme for employees to take courses that suit their specialty

Now, answer these questions:

- In which scenario will employees likely enjoy their work?
- In which scenario will the company most likely lose its smartest and brightest employees?
- In which scenario will employees likely offer fresh ideas and innovative solutions?
- In which scenario will a change-friendly environment most likely exist?
- In which scenario will employees be less likely to think for themselves and be accountable for their efforts?
- What is the point of this case as it relates to turning innovation into viable products?

You Get What You Pay For

If your organisation needs its employees to be creative, innovative, or inventive your leaders must invest in that effort. Once costs and the bottom-line become more important than the emphasis on turning employees' innovations into value adding products, your company will experience a downward spiral. This downfall will undermine the organisation's ability to create both learning and change-friendly cultures. Having a healthy bottom-line (no matter how you define that) is important, but not as pivotal as allowing employees to convert their ideas into work products that add to the top- or bottom-lines.

We will return to our ongoing case study to see how Linda was able to use the four Ps methodology to get employees past their investment in the status quo. She enables them to see possibilities that no one else could, which could generate significant value for her company's future.

Case Study of Applying the Four Ps—Linda

Recall our fictitious case study characters Linda and Tony. Linda goes out on a limb to engage employees in possibility thinking, which could affect her company's future.

Linda's Frustration

As I waited for Linda to arrive, I thought about how far she had travelled career-wise. Only 24 years ago she was a highly recruited college graduate entering public accounting. Today, she is the chief executive of a fast growing mortgage brokerage firm. Some people might say Linda is lucky, but the truth is that she has the qualities a leader needs: vision, drive, accountability, the ability to obtain results ethically, and a way of inspiring people to follow her. In essence, Linda creates her own good luck.

Linda walked up and greeted me. We sat down and immediately began her coaching session. She said, 'So far we are making progress in fostering a new optimism about our future and getting rid of the past. Now we have to get into the nitty gritty in order to support our planned growth. At a recent staff meeting, the managers decided that we need to go paperless. This act will save us a tremendous amount of money and streamline loan processing. We estimate that a paperless system could increase productivity by between 25 and 50 per cent. No one knows for sure how much will be saved because not a single small mortgage broker has attempted it. I want us to be the first'.

'Tell me about your overall processes', I asked.

'As you can guess it is a very paper intensive process. Do you recall the package you had in front of you when you obtained a mortgage for your house?'

'Yes I do', I said. 'The stack of paper was amazing. I realise a lot of that was for the documentation of various things, but I would say that at least one tree lost its life just so I could get a mortgage'.

Laughing, Linda responded, 'Yes. It has always been that way, but I do not believe it needs to be. The reason I invited you here is because there is a software vendor down the block and in 15 minutes you and I have an appointment to talk with them about helping us co-develop software that could help make us paperless. I wanted you to accompany me because you have a talent for asking the questions that I might not think to ask'.

'What specifically do you want me to pay attention to? I assume it is not the technology aspect, because it has been ages since I was involved in the nuts and bolts of software development and implementation'.

'No. I want you to help me determine if the software vendor understands our needs adequately and whether or not they are invested enough in our needs to partner with us to create a solution. You know as well as I do that people in the software business don't always understand the user's needs and develop something quite different than what the customer envisions'.

I replied, 'As a controller and CFO, one the most frustrating aspects of my job was to find software tools that fully met our needs. In most cases, only 50 to 70 per cent of what they promised was in the software solution'.

'That has also been my experience. Another reason you are involved, as we discussed on the phone, is because I would like you to facilitate a session with key employees to help us define and prioritise our needs and then another session to decide how we can move to a nearly paperless processing system'.

Linda continued. 'It has been years since I worked in accounting, so I was amazed at how our own CPA firm does its audit without any work papers. The partner showed me their system which consists of spreadsheets and checklists, but by the end they have the full audit documentation package completely in digital form. Imagine that! No paper! That is what got me thinking about our need to go paperless. Because many of our employees have been in the mortgage processing business for years, I know that there will be plenty of resistance to making this change. However, I feel that if I can get employees involved in defining the problem early on and then collectively selecting a solution, it will lower their resistance and, as you have told me many times, Ron, "when people are part of the solution, they become less a part of the problem". That is what I want for us. In addition, our employees are the experts in what needs to be done, so it only makes sense that they help to make this solution possible. I want them to think in terms of what might be possible rather than what can't be done'.

Linda and I spent several hours with the software vendor and we both came away with an agreement that this vendor could help the company become paperless.

We held a session a few days later with select employees to obtain their ideas and suggestions on what the new system should contain. We ended up with a prioritised needs and wants list that that would go into a vendor Request For Proposal.

The key question tool works in conjunction with the four p's protocol tool As you read the rest of Linda's story, notice how the use of the key question tool sparked employee's creativity without generating resistance.

Case Study on the Key Question Tool—Linda

Recall our fictitious case study characters Linda and Tony. Linda wants employees to do something completely innovative and uses the key question tool to accomplish this.

An Employee Brainstorming Session

The next event was the employee brainstorming session. On the first day, I started the meeting off by posing this dilemma to the employees in attendance. I employed the key question tool.

Their Instructions

I explained, 'Assume that we had to build this organisation over from scratch. We are not able to use any paper in the brokerage process. You can make whatever assumptions you want, such as paper no longer exists or all the paper in the world has been radiated and cannot be used. Use any back story you want about why there is no more paper. This will help you get prepared for this exercise. The third thing I ask you to assume is that we have to start a brokerage process from square one and lack access to paper. You will be providing a solution this problem: What would the paperless process look like?'

'We will examine the whole system from beginning (accepting a mortgage application) to the end (the mortgage package being sold). Later, we will look at all the various processes in between these two events. The outcome for this session will be to answer this key question: How can we automate the entire system so that we do not need to use paper?'

'We will be working on answers to this question over the next two days. There are no wrong answers. You have a blank canvas to map out what it will look like. Do this activity visually.'

'The first process you will analyse will be the end-result where the loan package is complete—documented, funded, and then sold. From there you will work backwards all the way to the beginning, which is the receipt of an application for a mortgage.'

Doing the Work

Exemplar's employees and managers worked really hard at this for two days. I built numerous breaks into the meeting's agenda in which they were involved in fun activities that allowed them to ease back from this tough mental work. Designed to foster teamwork and spark creativity, these activities accomplished their purpose. Employees' hard work paid off because in those two days they were able to develop a complete system diagram flowchart designed to make all of their processes at least 90 per cent paperless.

Linda's Next Step

Over the next two months, Linda and her management team began to implement processes within a learning system that would allow the four Ps protocol to take root in the organisation. They used the waterfall analysis as their guide to establish the overall paperless processing system.

Using the waterfall protocol as their guide, Linda's change team was able to develop the overall system on paper and then, following the natural flow brainstorm, design and implement each process within the system. Linda, who had conducted similar systems at previous employers, provided me with this feedback: We were able to get this system up and running in one-fifth of the time it would have taken without having the waterfall tool.

VALUE DELIVERING SYSTEMS NEED HIGH-QUALITY PROCESSES

Change Agent Principle #50

Wherever the work is getting done efficiently, and generating few errors, you have in place a great process within an effective system.

A process is a progression of systematic steps that moves towards a particular result. Each process has a definite beginning and end. The basic purpose of a process is to get something done productively. We develop and use a process so that the sequence of activities within it can be repeated and duplicated. If you were only going to do something once, you would not need a process for that activity. (That fact explains crash dieting and weekend athletes.)

Your Brain Is Gone

The inherent flaw in repeatable process approaches is that when an action is repeated often, it becomes a habit. Once you adopt a habit, your brain disappears. You stop thinking about the process or even what you are doing. Consider the following questions:

- How much thought did you put into getting to work today?
- How much thought did you put into breakfast this morning?
- How much thought did you put into getting ready for bed last night?
- How much thought did you put into turning your computer or phone on to check e-mail?

If most of your answers are 'little' or 'none', you just proved my point. Your brain was elsewhere when you followed your process for checking e-mail or getting to bed.

How do you know that your process for getting breakfast, checking e-mail, or driving to work is the most effective or efficient process?

If your answer is, 'I don't know', again, you have proven my point.

How much time each day do you think the average employee spends measuring his or her processes' effectiveness? Analysing his or her processes' effectiveness?

The correct answer is less than 5 minutes a day for each. This means that out of the average work day of 500 minutes, less than 1 per cent of everyone's time is spent on making work processes more effective!

These questions, and their answers, have three messages in them:

1. To determine if your process is flawed, you need a reliable benchmark to compare its effectiveness against.
2. Unless you try another way to do the work, you will never know if there is a better process to use.
3. To get better results and value from any process, the process needs to be examined regularly.

Learning Culture Requires Employee Involvement

Another point that comes from the THINK case study has to do with letting employees think for themselves. In this case, the goals in scenario #1 are created at the top and forced downward onto the employees who have no say in them. This approach always undermines employee engagement and their willingness to be flexible (that is, adjust to change faster). Notice how the second set of goals provides measurable targets, which the first set of goals lack.

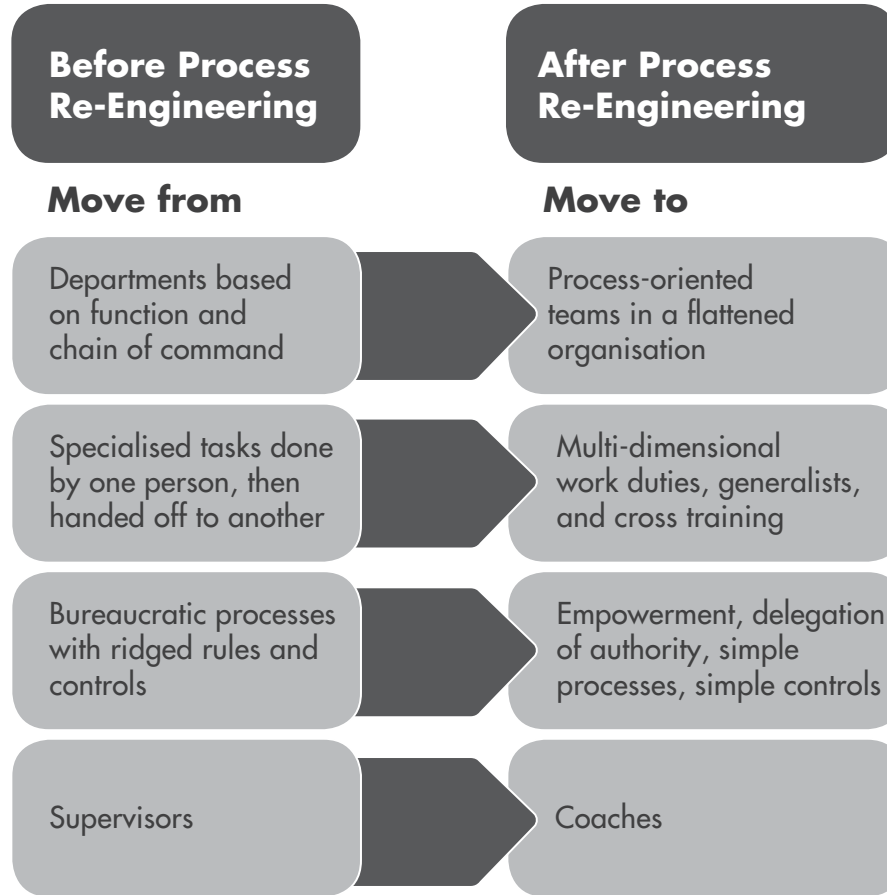
Involving employees in co-establishing their goals and monitoring their change metrics is necessary and vital because it builds ownership, accountability, and reality. Team or department goals and measurements, established by those doing the work to make improvements, are most meaningful when they are tied to the larger change strategy objectives. Employees have an easier time supporting a goal that makes sense in terms of the organisation's business priorities. They have trouble getting behind a goal that they do not understand or have no emotional investment in.

A PROCESS CONVERTS WORK ACTIVITIES INTO VALUE

Business process management is more than just taking the process apart and putting it back together in a better state. Managing your processes involves understanding them, managing them, creating new ones, and getting rid of unnecessary ones. Your greatest efforts will be towards making sure the work activities your employees engage in produce value. In process management, remember that working to have every process and employee instil value in their work requires a change in the culture.

The movement towards a systemically improving process has been around for more than 40 years and many lessons and insights have been gleaned about what the organisation will look like once the process has been significantly improved. The term used for this work is currently referred to as process re-engineering. Figure 5-3 provides you with a 34,000-foot view of what your new organisation could look like as a result from better process and systems management.

Figure 5-3: Hallmarks of the New Organisation



DO NOT BLAME A FUNCTIONAL SYSTEM

A key question to ask when improving a process is, 'Where will the improvements come from?' Both a thorough understanding of change and an openness to change are necessary in the people committed to improving a process and the system it is in. Employees not trained in process improvement make a common mistake; they assume that the process is good and it is the system that is faulty. The second mistake made is making a faulty assumption that the processes they use are stand-alone work activities and do not impact other processes or people outside their group. Let's see why these invalid assumptions (that is, mistakes) persist in organisations.

Problems That Exist When Analysing and Improving Intangible Work

First Stumbling Block: Delayed Feedback on Process Flaws

Improving certain functions and systems is easier to do than others. Processes involved in the making and delivery of your product have specific outcomes that highlight flaws almost immediately.

Example: Tangible Outputs or Indicators

- When your firm ships an incorrect product, the customer will complain.
- When you bill the customer the wrong amount, you will be notified right away.
- When your product does not work, the customer returns it.
- When a critical production assembly goes awry, someone will be called in immediately to fix the work stoppage.

In these examples, the output of the black box will get addressed because of the type of process. Is it harder to notice flawed output from less tangible work activities, many of which your team has responsibility for and use extensively.

Example: Less Tangible Outputs or Indicators

- Several data points in a 60-page report are incorrect and no one notices.
- Two managers refuse to speak to one another, so their employees act as go-betweens for intradepartmental communications.
- A recent hire, who appears to meet all the qualifications, is able to hide the fact that he cannot do the job, yet the problems he causes do not get addressed until his 90-day review.
- A micromanaging supervisor creates a culture of fear, and then nine months later the company is named in a lawsuit for fostering a hostile workplace.

In each of these latter situations it could be days, weeks, months, or longer before someone notices the processes in the black box failed to work properly.

This phenomenon makes it much more difficult for you and the change team to improve intangible work involved in administrative and overhead functions. You face many more obstacles to overcome because the product is not something that employees can readily feel, see, and touch. If discovery of a broken process such as these gets delayed, then problems created could multiply exponentially.

The following are obstacles to streamlining and improving intangible work:

- Work fragmentation makes it hard to envision the whole picture and process integration.
- Work is characterised by fragmented accountability.
- Intangible outcomes are difficult to measure objectively.
- Professional competence and ego get in the way of noticing flaws or addressing them.
- It is difficult to communicate realistically with customers and to obtain feedback letting you know that the process failed.

Second Stumbling Block: Employee's Attitude

Another roadblock to improvement of intangible work processes is the employee who clings to the old process because he or she has worked with the process the longest, designed the process, or has developed ownership of

the process. This is something that your change team needs to address up front whenever you are tasked with improving a process. Often, employees will fight your efforts to change their processes.

Third Stumbling Block: Legacy Activity

Many processes and work steps in them are legacies. *Legacy activity* is an action that was added for a particular reason and never evaluated for effectiveness. Every process contains steps required to deal with failures. These steps are difficult to reduce because they become integral to the process's completion. You can only remove legacy steps by removing the causes of failure that led to the legacy work.

Example: Legacy Activity in Accounting

Bob was hired as a collector for your accounts receivable group 5 years ago. This was a time when you had a very simplistic accounting programme and it did not allow for real-time entry of information. After each collection call, Bob would handwrite his notes, make a photocopy for the customer folder (hardcopy version), and hand the original note to Jody, who would enter the data every Friday. This sped up the process because Jody could type 20 times faster than Bob, who was terrible at typing.

Since that time, Bob retired, Jody left, and you have experienced more turnover in your accounting team. You now have a better system, which allows for immediate entry of information for important activities, such as customer contacts, sales calls, quotes, and collection efforts.

Jean, who now sits in Bob's seat, still hand writes collection notes, makes a copy for the paper file, and gives the originals to Tim. Why? Because that was the way she was trained by Bob. Tim learned from Art, who learned from Jody, that one of the duties is to enter the information manually into the digital customer file every Friday.

However, in your current billing and collection system, these legacy steps are totally unnecessary because a large part of collections are conducted via e-mail. With a few clicks of the mouse, collection information can be tagged for the customer's electronic-based file. No one ever looks at the paper files in two file cabinets that take up valuable space in accounting

This is the reason why your organisation and processes have legacy activities. The weekly batching, paper notes, and hardcopy folders were aspects of the old system but were retained after accounting shifted to a new one. The second reason is the activity was started as a compensation to offset poor performance or process errors, such as Bob's inability to type. An activity was added to the process to compensate for his deficiency. Known as bypass work, these activity steps are not necessary for someone who has the proper skillset or after the process flaw is fixed. These become a legacy because the work continues long after the problem ends!

What is most insidious is that the employees doing the legacy work do not realise it and when asked to stop doing the work, they will justify and defend why it needs to be done. Thankfully, if your employees such as Jean, Tim, and Art get trained in process management and continuous improvement from the first day of their job, they will be more open to ridding their processes of legacy activities. However, Jean, Tim, and Art need to know that

- it's part of their job responsibility;
- they are empowered to make the improvements; and
- you value their efforts to make the work and their jobs easier.

Tactics to Overcome These Obstacles to Improving Intangible Processes

- Be open with employees and users about the process to be improved.
- Solicit input and ideas from all employees involved.
- Involve everyone in the implementation of the new process.
- Understand the system yourself.
- Use cross training to help employees understand each other's job duties and processes.
- Allow people to challenge the work with an intention of making it easier and simpler.
- Map out all vital processes and look for redundant steps.
- Frequently get an outside perspective of the work done in each major process.
- Mistakes provide feedback, so when a process fails, do something about the mistakes.
- Use the process checklist on each accounting process to determine the elements that are missing.

SYSTEM TRANSFORMATIONS THAT CREATE A CHANGE-FRIENDLY PROCESS

There are four transformations that need to take place in order for you to have a change-friendly mentality, a flexible and effective process, and a system that provides value. Please notice the areas that will need addressing within your organisation:

1. *Rigid structure removal.* Today, many organisations have complex organisational structures based on power, position, and chain of command. This does not add value to the customer. What does add value is a flat organisation where employees are empowered to make decisions quickly.
2. *Bureaucracy removal.* As an organisation grows it becomes bureaucratic and often relies on specialists to complete discrete tasks. This results in the work repeatedly being handed off from one specialist to another. However, because it adds unwanted costs, this management philosophy is of no value to the customer. The customer values employees who can do multiple tasks and can function as interchangeable parts of the organisational structure. This is where cross-training and cross-functional teaming pays off. What adds value is when your customer can get his or her needs satisfied the first time.

3. *Needless rules and controls removal.* In a system that adds value, there are few rules. Instilling empowerment and accountability in employees means your organisation does not need many rules for employees to follow. Instead, all employees follow rule #1: Do whatever it takes to add value to the customer ethically. This allows for simpler processes.
4. *Overlords removal.* An important step in process management is for supervisors to become coaches. Being a supervisor implies a chain of command communication and a hierarchy structure built on power. Again, the customer does not value this type of structure. What they value are employees who know their job and who can act immediately to satisfy them.

From these four areas, you can now see that the true cost of having great systems and processes is not of monetary nature. The price is leading the organisation, its people, and the systems differently so every system is aligned to satisfy the customer.

Sadly, for many organisations, the cost of making this change is too high. That means that the leaders who refuse to pay this cost are basically telling their customers, clients, constituents, donors, funders, vendors and suppliers, partners, investors, and employees that they do not care about what you value.

MANAGING YOUR PROCESSES TO PRODUCE QUALITY

Understanding and improving processes will make change less painful.

Natural Law of Change #40

In order to determine if a process is effective, you must be able to measure its effectiveness. You need to analyse the process and then improve it.

Consider a few questions about process management:

- Why do you use processes in your work?
- What is the value of a productive work process?
- How can a productive process add value?

Change Agent Principle #51

Effective processes that instil value are designed to put a stop to waste.

We will focus on the work side of process and answer these three questions.

Process management requires gaining people's support and embedding a 'there is always a better way' attitude within the organisation's culture. For process management to succeed, the culture must be changed to support continuous improvement. Process management is the highest level of process improvement because it examines how different processes interact and integrate with one another.

As you begin to instill the concept of process management, you must evaluate how well the company performs for its customers—internal and external. A process management culture relies on cross-functional teams that identify which of the firm’s processes are most aligned with the company’s strategies and mission, and which ones are least aligned.

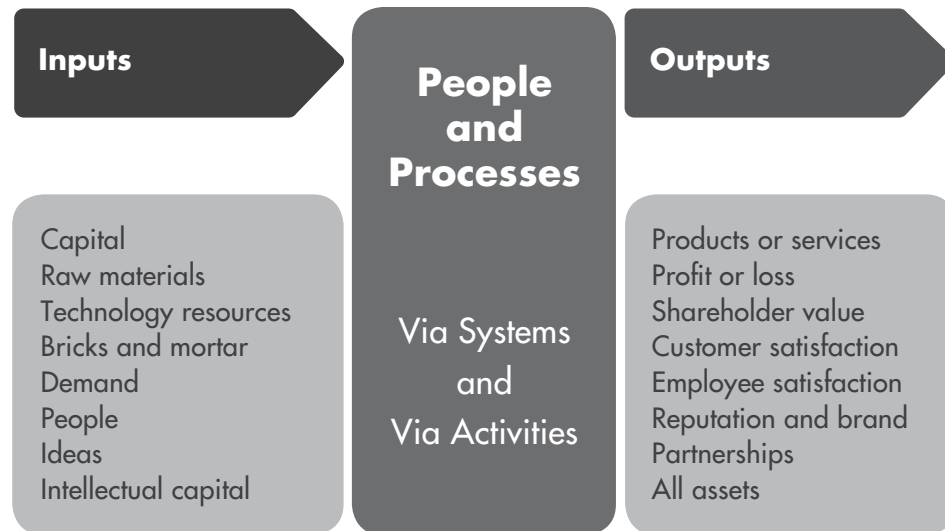
Process management requires managers to facilitate teams that include people who do not report to them. In process management you focus early process improvement efforts on areas that are likely to improve quickly and easily. The best or most effective process is one that gets the work done quickly and efficiently while generating the fewest errors or mistakes. Effective processes are designed from the customer’s point of view, yet many processes are designed without any thought to their impact on the customer. Process management, if carried out, will create customer-driven processes that deliver value.

Black Box of Conversion

Your organisation is basically a black box, a term used to describe a generic machine. Things go into the box (inputs) that are somehow converted and transformed so that something good comes out of the other side (outputs). What makes your black box (that is, business) work is the DNA of every organisation, namely its key investments in specific transfer agents. Your employer invests in the transfer agents of (1) people, and (2) processes that carry on activities within the framework of specific systems. These transfer agents make the black box work for all organisations, including yours.

This conversion practice of employing inputs to produce outputs is represented in figure 5-4.

Figure 5-4: Black Box Conversion of Inputs to Outputs



The investments in the two critical transfer agents that make your black box work are your people and your processes. Employees do the work using company defined systems and engage in activities that produce the outputs. Profits are a major output, but not the only one of consequence.

Black box inputs include capital, raw materials, technology resources, bricks and mortar (that is, buildings, equipment, and so on), demand (for your product or services), people, ideas, and intellectual capital. Black box outputs include products delivered or services demanded for money, profit or loss (your business’s bottom-line),

shareholder value (anyone who benefits from being associated with the organisation), customer satisfaction, employee satisfaction, reputation and brand, partnership (those who you rely on such as referral partners, associates, and so on), and all assets (anything on your balance sheet, tangible or not).

Your work processes are how work gets done and also one of the main transfer agents of your black box. Employees use processes as they do their job. Many are designed by the employees who use them. The true test of an effective process is when you get a 'Yes' answer to both of these questions:

1. Is it the most effective way to do the work?
2. Does it save time and effort?

Think of a specific process you use frequently and answer these two questions. What did you discover?

People Employ the Power of the Process

A *process* is a progression of systematic steps that moves towards a particular result. It is a progression of small changes by which one thing transforms into another. A process has a definite beginning and end. The purpose of a process is to get something (that is, work) done productively. A process is used so that the sequence of activity can be repeated and duplicated. Creating and using processes is the way people get things done because we repeat something until it becomes a routine.

People develop and use a process so that the sequence of activities within it can be repeated and duplicated. If you were only going to do something once, you would not need a process for that activity.

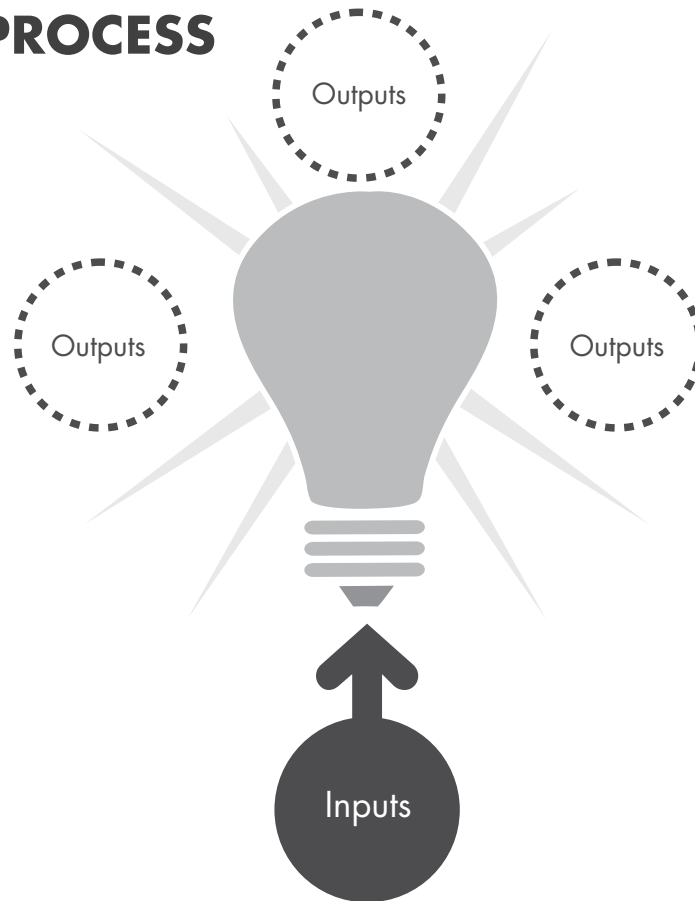
Analysis for Effectiveness

Processes need to be evaluated regularly to ensure that your people are getting the work done quickly, efficiently, and with a minimum of exceptions. Analysing processes will show you where the obstacles or breakdowns occur. Analysing a process will help you make improvements, both small and large, to the work you do. Needless activities, which do not add value to your customer, waste both time and money.

You use processes all the time, so it is easy to forget that not all processes are effective. Figure 5-5 can be used to help others connect the dots about the importance of effective processes. It shows a simple process: the light bulb. Everyone knows that if the bulb is not working as it should, there is a problem. The measurement of the effective light bulb is the output, or the quality of the light, so if the light is not what it should be (for example, flickering, dim, or no light), then a problem exists in either the input (the electricity source) or the process (the bulb itself).

Figure 5-5: Process View

A PROCESS



Please notice that although the output may be considered flawed (for example, less than optimal), the light is the effect and not the cause. The suboptimal light is an indication that either the input or process is where you need to focus your improvement efforts. After you determine the source of the error or malfunction and fix it, the process (that is, bulb) will work as it is designed to.

The material about processes in this section will focus on the work side of a process but the lessons apply to any process created.

PROCESS VALUE COMES FROM EFFECTIVENESS

Perhaps the best way to discover the aspects of or work steps and activities within a process that need improvement is to describe the process visually. This is known as process mapping.

Many people are visual learners, meaning that they acquire new knowledge better when it is in a visual friendly form, such as a diagram, illustration, cartoon, or chart. Visual tools are often quicker to read, change, adapt, and remember. This is why your change plan must commit to documenting your vital processes using mind maps, flow charts, stream flows, and other visual representations of a process's flow and path. This is why we are reviewing the method your team will use to document a process. A good map of your process map using any of the aforementioned techniques helps to show the connections between cause and effect and spot any

unnecessary work. **Tool #31: Effective Process Checklist** will help you verify that each process you examine consistently consider high-level best practices in process management. This vital change agent tool can be found in the downloadable content that accompanies this book. There are numerous techniques used to document and map a process. Here are eight steps to document one:

1. Define the process of the thing that is being transformed.
2. Locate the starting point.
3. Locate the ending point.
4. Walk through the process, step by step.
5. Break the process down into decisions and actions.
6. Collect samples of documents used or generated during the process.
7. Describe each step of the process in a formalised flowchart or map.
8. Determine if the process has the key elements of effectiveness, and if any touchstone is lacking, be sure to put it into the process.

Process mapping through flowcharting will expose legacy steps so they can be removed. Therefore, when process mapping

- keep it simple.
- start with the main flow first then add the exceptions.
- use consistent symbols.
- use colours for clarity.
- add as much explanation as needed.
- be sure someone else can follow the flow easily.
- number each page.
- look for loose ends in the process.
- tailor the map as needed.
- break a complex process into smaller discreet sub-processes.

Many of the steps within a process are legacies, actions that were added for some reason and never evaluated for effectiveness. Process improvement can often be accomplished without large cash outlays. That is the good news. The bad news is that a co-ordinated team effort is often required to improve a process because the changes must be owned by those impacted by the process. This is what makes process improvement so valuable; it involves everyone using the process to make it better, thus requiring many points of view regarding the work and the value created.

You know this next truism intuitively, but let me clarify what you already know and probably forget.

Change Agent Principle #52

If the people that use a process are disorganised, a better process will not make much of a difference.

CHANGE AGENTS TOOLS FOR PROCESS TRANSFORMATIONS

A process transformation occurs organically by making changes to specific aspects that are innate to a system. I refer to them as conditions within the system. These conditions are as follows:

1. Assumptions
2. Value chain modelling
3. Delivered value
4. Stream flows
5. Consistent execution
6. Feedback looping
7. Feedback metrics
8. Wasted process time
9. Continuous improvement

The details of each condition will be included with the tools that aid you in making the transformation to a better system. When you apply any of these next set of tools to improve a process, it begins to improve.

A PROCESS TRANSFORMS BY CHANGING ASSUMPTIONS

Everyone involved in managing and improving processes must agree on a set of assumptions that will be used in making decisions, including those that impact a process. These assumptions must improve communications and increase empowerment. Agreeing upon assumptions early in a process improvement effort will reduce misunderstandings, speed up the work, and create a mutually beneficial decision that can simplify process improvement.

Examples of assumptions about a change process include the following:

- Change cannot happen.
- No one will cooperate.
- No one will like the change.
- As a result of this change, people will lose their jobs.
- We have to do more with less.
- This change is being forced upon us.
- Consulting with employees about this change is a waste of time.
- Change is bad.

Notice how these assumptions are all negative.

Clarify All Process and Systems Assumptions Up Front

Before you begin the work on finding solutions to faulty processes and systems, you must analyse, clarify, and document the assumptions that you and others are using related to the area you will be putting under a microscope. Please notice what can happen when those affected by a change are not invited to the table where the discussions are held about the assumptions used for a key decision.

Example: Losses Due to a Bad Assumption

A Starbucks employee on my project team told me an enlightening story. It was a tale of what happens if assumptions are not agreed upon in advance. Before Starbucks came out with the Frappuccino as its own product line, they entered into a joint venture with another organisation to create a Frappuccino ice cream to be sold through retail grocers. In this venture, Starbucks would provide the brand name and the partner would make the product. They launched the product to great fanfare. Not too long after the launch, Starbucks's management asked its accounting experts to crunch the numbers on the joint venture contract. Someone in accounting discovered, based upon how the deal was structured, that for every pint of ice cream sold under the Frappuccino, name Starbucks would lose approximately \$2.00.

Starbucks managers had locked the company into a two-year contract with this organisation and could not modify the terms. What an expensive mistake!

Role of Assumptions in a Process

For your own protection, always keep in mind that what we name as facts are actually events viewed through filters. You will severely handicap yourself from making progress unless you take the time to review the assumptions relied upon as fact. The skilled change agent recognises that people will often take positions based upon their emotions and not based on facts. As someone presents their information to you, they will present it as factual even though it is an unverified assumption. Here are some common assumptions involved in process management that require shifting:

1. Cost defines value.
2. The process creator defines what value is.
3. Wasted time cannot be recovered.
4. People do not want to be more efficient.
5. Work activities are a built-in cost and are not important.
6. Controls are important and necessary.
7. Approvals and reviews are necessary and add value.
8. Intangible and subjective activities or outcomes cannot be measured accurately.

In both facing and creating change, decision making has to do with people's mental attitude and confidence whenever seeking creative solutions. You must have a full understanding of the underlying assumptions related to the pain being addressed. Your assumptions drive the behaviours about what you will do. The assumptions that others make will drive how they deal with improvement efforts. Therefore, a key requirement of any action

plan for change is taking the time for the change team to fully understand the assumptions that everyone has. Never skip this composition element of a system.

A PROCESS TRANSFORMS WITHIN A VALUE CHAIN

Change Agent Principle #53

How well your value chain activities are carried out determines the quality of your processes.

Does your organisation want to have an edge over its competitors? There is only one way to gain a competitive edge: your supply chain must have operational excellence.

Value chain analysis and value chain management are keys to competitive success. As companies seek to increase revenue, reduce inventory, and remove costs from its value model, they must understand their costs. Companies also need to pinpoint inefficiencies in their value chain. Doing this investigation enables your organisation to operate in the most profitable and efficient manner. **Tool #32: Value Chain Modelling** will help identify value points across your systems for products and services. This vital change agent tool can be found in the downloadable content that accompanies this book. To demonstrate how this tool applies, you can understand its use by reading the case study where I apply it to Linda in this section.

Change Agent Principle #54

The best processes are designed from the customer's point of view, yet many processes are designed without any thought to their impact on your customer.

Our client, Linda, needed to develop a system view in order to gain perspective on the way her company created value. The tool we use will be described in detail later in this chapter.

Case Study of Applying the Value Tools—Linda

Recall our fictitious case study characters Linda and Tony. Linda uses the value chain model and key question tools to uncover ways of exploiting intellectual capital as a solution for a plateauing revenue problem.

Linda's Revenue Dilemma

Linda scheduled a coaching session at her office for the first week of January.

As we sat down at the conference table, she explained, 'As you know, the real estate market has improved and we continue to receive more loan applications each month. However, I am seeing trends that say mortgage lending is reaching a plateau. Celia's forecasting team predicts that revenue growth will be flat within two years. Even though quite a few of our competitors went out of business from the recession and depressed real estate prices, there is still fierce competition and it is getting worse'.

'I suspect that there is more to this story, though', I said, gesturing for her to continue.

'Yes there is', Linda said. 'Brad O'Rourke, our new board chairman, received an unsolicited offer from an out-of-state mortgage company that is interested in acquiring us. They called it a merger, but you and I know their real intention: they only want to buy our connections and are not willing to pay top dollar for them. That firm has a reputation as a bottom feeder. Anyway, I don't want us to be purchased or merged. Brad was professional enough to take their call and test the waters. He told me that the price they suggested is extremely low, approximately one-third of what we estimate our current market value is'.

'What is Brad's position in the organisation? How much of the company does he own'?

'Mrs. Kingman is his sister and together they own 53 per cent of the company. He has been on the board since it started. That is his only affiliation with us; he's not an employee'.

'So what you are implying is that if the two of them like a buyout offer, they may choose to sell the company. Is that an accurate statement?'

'Correct', she said. 'In fact I detect that Brad is both pleased and displeased. He said "not at this time" to the potential buyer, but he is happy that we are getting attention. Our work today is to come up with a plan to deal with our static revenue situation primarily and secondarily to do something that would also increase the company's value. My dream is to position Exemplar so that we would no longer be a target. In other words, if competitors feel that we are bleeding, they will sense it and attack us. However, if we are successful, they will leave us alone'.

I warned Linda, 'News of this is certainly going to get around the company and some of your employees will panic. You need to tell them something'.

'No, I disagree. Only you and Mrs. Kingman know. None of us will talk about it'. She responded brusquely, drumming her fingers on the table.

I could tell my warning sparked her anger. I knew exactly what would happen, but decided that she needed to learn this lesson on her own. Switching topics I said, 'Are you positioned to do a thorough examination of the company to look for any undeveloped intellectual capital?'

'What do you mean by that?' Linda asked. My next story would not help Linda relax, but it would provide her with the insight she needed.

Story—Failure to Capitalise on a Pot of Gold

Recently I was asked by a specialty publishing company to facilitate their annual planning retreat. They create how-to craft books on topics such as quilting, crocheting, sewing, knitting, and so on. This industry-leading organisation is experiencing the same challenge—static revenue growth—except the problem is worse because their market is dramatically shrinking. Baby boomers are the primary purchasers of their book products and as boomers retire or have less time and money, they are not spending money on hobbies. The publisher has been unable to make inroads with the generations that came after the boomers, so not only are revenues declining, but their market demographics have shifted. The market for their products is shrinking instead of growing.

During their retreat, instead of attempting to build plans for an unacceptable status quo, such as engaging in deeper cost-cutting or spending more on trade show attendance, I suggested that this leadership team focus on looking for ways to capitalise on their intellectual capital. They have published thousands of book titles. Each book takes approximately two years to go from conception to launch and once it has been published, if no one buys it, all that money and effort is wasted. In addition, if the book's topic gets stale, it gathers dust and stops bringing in revenue.

To me, they are on a treadmill that is slowing down. As a way to deal with their revenue problem, I added a brainstorming session to the retreat's agenda. This process allowed them to re-examine their intellectual capital and consider ways of producing incremental revenue.

Though I tried to stay neutral during the retreat, it was frustrating because they currently sit on a gold mine—50 years' worth of information that they have created. However, they were unwilling to find new ways of repackaging it for a changing marketplace.

Sometimes yesterday's products have to be reconsidered for today's market. Consider popular music. More and more musicians are helping to add new life to their past hits by partnering in the development of ring tones and music clips. For a small fee they allow a sound clip to be used as a ring tone, included in a musical greeting card, used in a YouTube video, or sampled on someone else's music. They have found that there is a new audience for their music and sales of their old albums have increased as a direct result.

During the brainstorming session, I held up a 6-year old book, one that was still in stock and carried a retail price of \$30.00. I asked them to imagine that they could divide this single book into 10 smaller books (mini books) and price those at \$3.00 each.

I explained, 'Assume that next year you sell 3,000 units of the original book without discounting it. The book will produce \$90,000 worth of sales and because you receive 50 per cent of the purchase price, your revenues for that product will be \$45,000.

'Due to the lower price of the mini books and their appeal to people who don't have a lot of time to read, you might be able to sell 5,000 or more of the shorter books the first year. Assume that next year the retail sales of these mini books are 6,000 units for each title and they sell at retail for \$3.00 each. Gross sales would be \$180,000 and you earn \$90,000.

'So you have doubled your revenue dollars, but here is the best part. You did it without any major incremental increase in fixed expenses or development costs! The intellectual capital within this book already exists and has been paid for. All you have to do is pay for reformatting it, at an average cost of \$1.00 per title. You have already paid for the cost of developing and producing the book, so you do not need to do it a second time. The final benefit is that although it took two years to get the original craft book to market, you can have the mini books ready to ship to bookstores in less than 90 days'.

Unfortunately, this leadership team chose not to consider this opportunity and preferred to stay afloat by using the traditional methods of throwing money at marketing while trimming costs and laying off more employees.

Back to Linda

Linda asked, as I anticipated she would, 'So how would that apply to us?'

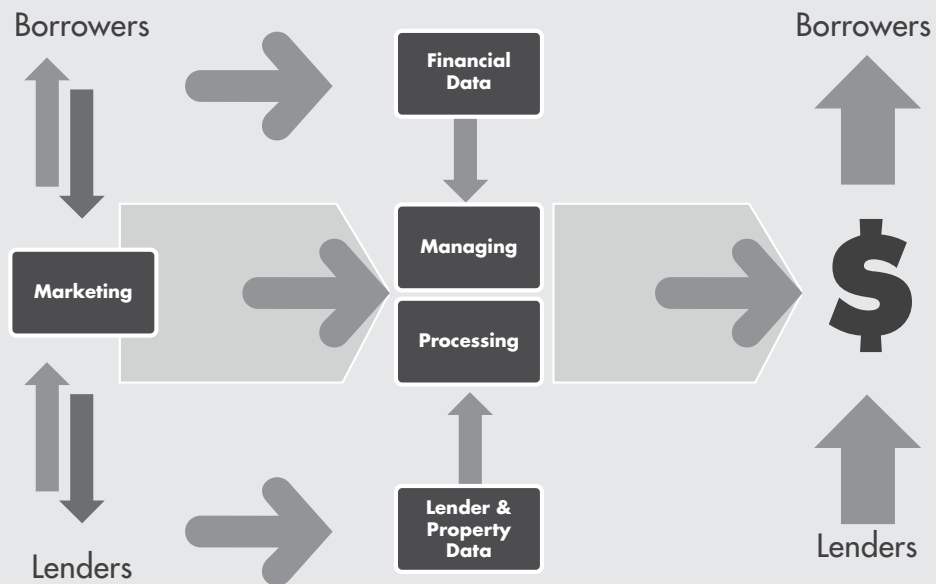
'Imagine over the 33 years of this company's existence employees have acquired or created pockets of information and knowledge that could be exploited. These are opportunities for incremental revenue.'

Linda nodded, adding 'This company probably has several things that we might use to generate additional revenue, based on what we have done or invested in.'

Discovering the Value Chain

I explained to Linda what a value chain is and the importance it plays. I walked over to a whiteboard on the wall and asked Linda to explain for me how she would describe what Exemplar did in the simplest way possible. I took her thoughts and turned them into a value chain that looked like this:

Drawing of Exemplar's Value Chain



Exemplar's overall system for generating value for its customers starts with its marketing activities. Exemplar employees market its services to both lending institutions and to the people who are purchasing a home. One of the important elements of Exemplar's value chain is its commencement point had to do with data. From the lender, Exemplar employees spend time carefully entering into their information system all the complex compliance requirements of their lending partners. They collect data about the real estate for the agent involved. They also devote time obtaining the complete financial picture for people who apply for a mortgage. This data collection effort extends above and beyond what the typical mortgage lender would require because Linda feels that by tracking this information, it will help Exemplar find the right product for each homeowner as well as provide data that is turned into insights on how to better market.

The second key aspect of Exemplar's value chain is the managing of that data and the processing of the loan application. Once this part of their system is completed, the mortgage is bundled with others and resold to lending partners.

Exemplar's operations team makes sure that this data managing and closing process is always problem free and streamlined.

As you can see in the graphic, the third aspect of their value chain is the financial or money part. It consists of funding the homebuyer, and then collecting sales proceeds from the selected lender. Here, Exemplar has a tremendous advantage over its competitors. They are able to collect the sales proceeds 45 days sooner than everyone else in the industry. The reason why is because Exemplar is extremely selective of its lending partners as a strategy to ensure that their lending packages are always superior. Exemplar's bundled mortgages usually generate a premium price and get first priority from the lender.

As I showed Linda their value chain, I could see the light bulb turn on in her mind. 'I get it', she exclaimed. 'The value chain is a global way of seeing how we convert the inputs into our system, or what you call the black box, and produce a high-quality mortgage that is sold at a premium'.

All I could do was smile. No response was needed.

She asked the million dollar question as I hoped she would. 'What do we do with this information and how can it help us with our revenue stagnation problem?'

I replied, 'As I described in my story about the book publisher, I believe that your organisation is very good at the middle piece'. I pointed to the managing of data and processing of loans. 'You handle the data so well and use it to create a premium product and if you can find ways to capitalise on this value, then you will find other ways of producing revenue from this value chain. I suggest that you hold several brainstorming meetings with some of your key people and there you will uncover ways to use this value chain for generating additional revenue opportunities'.

'If you are volunteering to lead these sessions, then let's put it on the calendar'.

We spent the rest of the morning creating an agenda and the specifics for a brainstorming session with executives and other key employees. I suggested that the four directors and shareholders be included in those sessions because they had a big stake in the outcome. These brainstorming sessions would be held in two to three hour periods over four consecutive days.

Possibility Thinking Sessions

I opened the brainstorming session by explaining what we were going to accomplish over the four days. I could tell that several attendees were extremely worried because of the rumours being traded: 'The company is being sold!' It was like the elephant in the room that no one wanted to acknowledge.

I launched the work they would be doing by telling them, 'I want you to assume that tomorrow the entire mortgage brokerage industry has been put out of business. Therefore, we must urgently find imaginative answers to this question: What can we do (or have we done) that has value to someone else?'

‘In your small groups, think about all the things that we do that might have value to someone else. Make a list and keep revisiting it. No idea is too small or insignificant. At the end of the second day, you will combine the lists together. At the third session, several of you will be selected to make arguments for and against each one. Based upon these arguments, at the final session you will decide, by consensus, the top three paths that Exemplar might take, which have a high potential for generating revenues and increasing the value of this organisation’.

The four days that we spent during the retreat were very intense, yet everyone agreed that they had fun doing this work. The whole time employees were engaged. The session served to inspire attendees to be innovative in their thinking. It was better for them to focus on a theoretical problem than fret over the rumours running amok in their grapevine.

We had contentious debates on some very controversial ideas, had disagreements regarding which ones had priority, and dealt with differences of opinion on what could and could not be done. I anticipated and planned for these battles because not everyone in their company engaged in possibility thinking. The back and forth discussions are a sign of a healthy culture because it signifies that employees are thinking for themselves.

By the end of the fourth day we had our prioritised list completed. In total, the group agreed by consensus to place a priority on three areas that could be avenues for creating additional revenue and increasing firm value.

This is a list of their suggestions, in order of priority.

Ways that Exemplar Could Produce Additional Revenues

- Capitalise on the company’s new paperless documentation system. We can partner with the software vendor and make it available for other companies in the industry.
- Become a boutique business lender. Due to the recession, banks have stopped lending to certain types of small businesses. Because Exemplar has adequate financial resources (and we assume we can obtain more), we believe this company could make bridge loans to these up-and-coming businesses to fill a void that is currently being created by the traditional banking system.
- Serve as a documents processor for other industries outside of mortgage processing. Due to recent improvements in our processes and systems, we believe there are other companies that need high-quality documentation processing services.

Debriefing Meeting

The week following these creative thinking sessions we held a debriefing meeting that consisted of Linda, two executives, and Kingman. We reviewed the results of the brainstorming sessions and fine-tuned the group’s suggestions. We were not changing them; our goal was to clarify the intention of each one. Linda then assigned three separate task forces and each would take an idea and develop a viable business case for it. I was given the assignment to show each team the business case format that they would use. I was asked to observe and critique as they practised their pitch to Exemplar’s board of directors. Kingman volunteered to convince her brother, Brad, to be patient before considering any buyout offer.

Kingman later told Brad that she was ecstatic about the ideas that the employee groups generated. He then contacted the company that made the unsolicited offer and told them, 'No thanks. We are not for sale'. When word of his response leaked into the grapevine, several employees thanked Linda for not selling the company. It was at that moment she realised that she had left employees out of the loop on the unsolicited offer. She made amends by scheduling an all-hands meeting where she explained the offer and the company's proactive response to it.

At a lunch meeting later that week, Linda told me that she was extremely pleased with Brad's response. 'When I first heard about the buy-out inquiry I was worried! I wasn't concerned about losing my job. I thought I might lose out on this opportunity to help Exemplar reach its fullest potential'.

I knew that Linda might get mad at me but she needed to hear this. 'Recall how upset you felt when Brad told you about the unsolicited offer. Now think about how your employees felt when they heard about it through the company's rumour mill'. She grimaced. 'You have worked hard to get them to feel ownership about what this company is doing. Suddenly, they were confused and maybe felt betrayed. That is why I urged you to tell them'.

Linda took a deep breath and then admitted, 'I should have listened. I didn't foresee what could happen. I won't make that mistake again, I promise'.

A PROCESS TRANSFORM OCCURS WHEN DELIVERED VALUE IS DEFINED

Tool #33: Process Value Diagnosis will walk you through each point in your product and service processes and assess if those points add value. This vital change agent tool can be found in the downloadable content that accompanies this book. To demonstrate how this tool applies, you can understand its use by reading the next case study.

When conducting a value stream analysis, remember the cost of an input is not the same as its price, and the cost of an input is not the same as its value.

Example: Sam Walton's Stream Analysis

Sam Walton created a new paradigm for the retail business and turned his company, Wal-Mart, into the largest multi-national retailer in the world. He did this by managing the value stream. At the time he started doing his work, the phrase value stream did not exist in the business lexicon.

Sam became the owner of a Ben Franklin store in 1945. It was located first in Newton, Arkansas and later moved to Benton. After a few years of successfully running the business, Sam grew frustrated. He believed that the price of his store products was overvalued. However, he could not lower the price much because, in the retail model, he had to mark-up each product based on what he purchased it for. (For this story, I will use a hammer his store sold as an example.)

Back in 1948, a hammer sold in Sam's store might have cost his retail customer \$2.00. His frustration came from not having the ability to buy the hammer for a lower price and still make a profit. He knew from research that this hammer cost about \$0.30 to make. He felt that if he could buy it for \$0.40 or even \$0.60, he could sell it to the consumer for \$1.00, thus providing value to something that would normally be considered a commodity product.

As he studied retailing, Sam realised that this hammer went from manufacturer to factory rep, to a jobber, to a distributor, and to the wholesaler. It was then sold to the Ben Franklin supply house who sold it to Sam's store. Each touch of the hammer added another layer of cost, yet added no value to it. In other words, the hammer he received and sold was in exactly the same condition as when it left the manufacturing plant.

Walton felt that if he could find a way to purchase the hammer directly from the manufacturer, he could pass the savings on to his customers. Thus, the vision and mission for Wal-Mart came to be.

It took Sam nearly three decades to successfully bypass nearly all these inventory touches. Once he invested in the infrastructure to handle large volume purchases and technology needed to provide value-adding information back to the manufacturers of the products he sold, Sam's vision became a reality.

Note: This is a simplified story of how Sam turned his local Ben Franklin store into a business that racked up \$447 billion in sales in fiscal 2012.

Because a major part of your emphasis on system transformation and process improvement is to demonstrate cause and effect in your organisation's value chain, this tool helps you to strategically communicate the definition of your organisation's value chain. When employees understand they are responsible for instilling value in their activities, you will be more likely to detect value waste almost immediately.

In our continuing case, Tony is able to apply this tool that results in lowering the cost of doing business.

Case Study of Applying the Stream Flow Analysis—Tony

Recall our fictitious case study characters Linda and Tony. Tony uses a stream flow analysis to determine where his company can lower the cost of the purchasing function to streamline the work and improve productivity.

An Expensive Waste

I left Jocelyn's office and went directly to Tony's. Once I was seated at the conference table Tony smiled and said, 'As a result of knowing our employees' pet peeves, Jocelyn really came through; over half of the list has been already addressed. In fact, employees have offered even more suggestions of their pet peeves'.

Tony took a very deep breath and sighed. To me that was a sign that he was about to tackle something very deep and meaningful. He said, 'The problem I am dealing with right now, and where I need your help, is our purchasing department. It has become a liability rather than an asset. According to some calculations I did for Jocelyn, the cost of our purchasing department is extremely high; in fact, it is higher than any other manufacturing company similar to ours. My bigger concern is that Jocelyn has told me that if I can help make this problem go away, I can place that department within my team's responsibilities. You know that because I hope one day to become a chief operating officer, this would fit into those plans'.

'Tony, tell me what has happened with the purchasing department. You hinted something about it in your e-mail. It was on your list of sacred cows, if I recall. And in my meeting with Jocelyn she mentioned it to me'.

'Yes. Jocelyn terminated our purchasing manager Rod about two weeks ago. He was the one who created that black hole within the manufacturing facility. After receiving numerous complaints from employees she finally took notice of what Rod was up to. Once she and I started getting into it, we discovered that Rod was engaging in activities that were borderline fraud, if not actual fraud. We found examples of where he received large unreported gifts from vendors. Once we took down the barricades outside his office, we found a tremendous amount of waste. There were items in stock that we do not use, yet he had large quantities stocked. I suspect that he might have been selling these items on eBay, but I haven't had time to investigate the situation. Members of my team uncovered where he had padded some of his purchase orders and took things home, which the company paid for. These may be some of the reasons why we have a high cost structure in purchasing'. Tony paused and then said, 'In addition, as I suspected this department is overstaffed by at least five people. Once he was terminated two employees resigned. We suspect they were in on the fraudulent transactions. We had to let three employees go because they had no work to do. I made an offer to one of them, someone I feel will be an excellent asset to our accounts payable group. She now works for me'.

'Wow!' was all I could think to say. 'How long do you suspect this has been going on?'

Tony responded, 'I found indications of Rod's duplicity dating back to 2004'.

'How did he get away with it for so long?' This amazed me. Being such a small company, it was hard to imagine that someone could hide this for over six years.

'Rod is Sarah's (the former chief executive) cousin. I think she trusted him without question and he used that trust as a shield. That is why no one was allowed to question his activities. She protected him, but I don't believe that she was part of the alleged fraudulent transactions. Her contribution besides acting as a shield was her singular focus on growth. As long as we were profitable and growing, she did not care about our cost structure. This sounds petty, but I'm sort of glad she quit. Jocelyn is really into cost management like I am'.

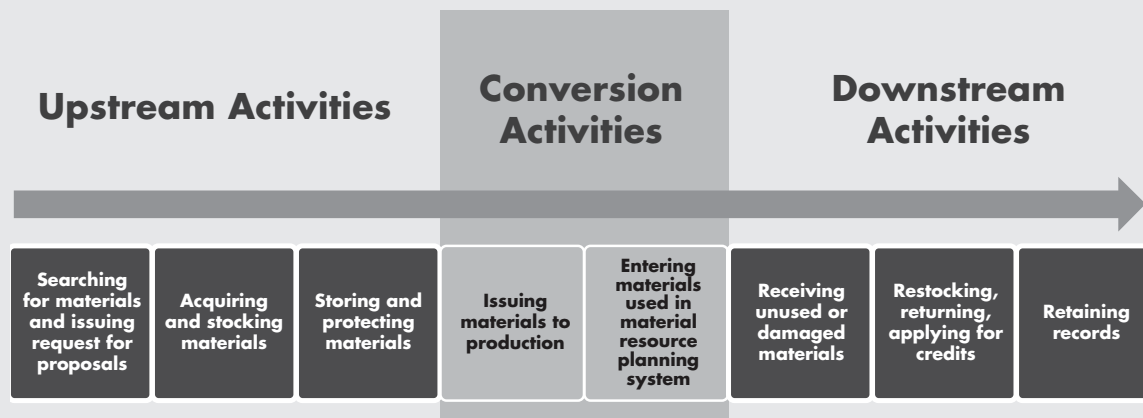
Our To-Do List

Tony relaxed a bit. 'Here are the issues that we need to work on today. First, I need a way to analyse our cost structure in a simple way so that I can determine the appropriate target amount for the cost of purchasing. Secondly, I need to determine how to structure the department so that it can operate for the next six months without a manager. Jocelyn made it very clear to me that she isn't going to replace Rod for a while. She hopes that I can work closely with the production manager, Carol, so the two of us can find a way to co-manage that group. My team would handle the paperwork part and Carol's group would handle the inventory management responsibility. For now, Jocelyn wants me to lead the change project of reorganising the department and breaking down the cooperation and communication barriers that Rod had in place'.

I asked a few questions. I then explained a tool that I wanted Tony to add to his toolkit. It is called the stream flow analysis. I walked him through it and showed him how easy it is to apply. He lacked the actual cost amounts to put into the stream diagram, but over the next couple of weeks he promised to work with his cost analyst to fill in the accurate numbers.

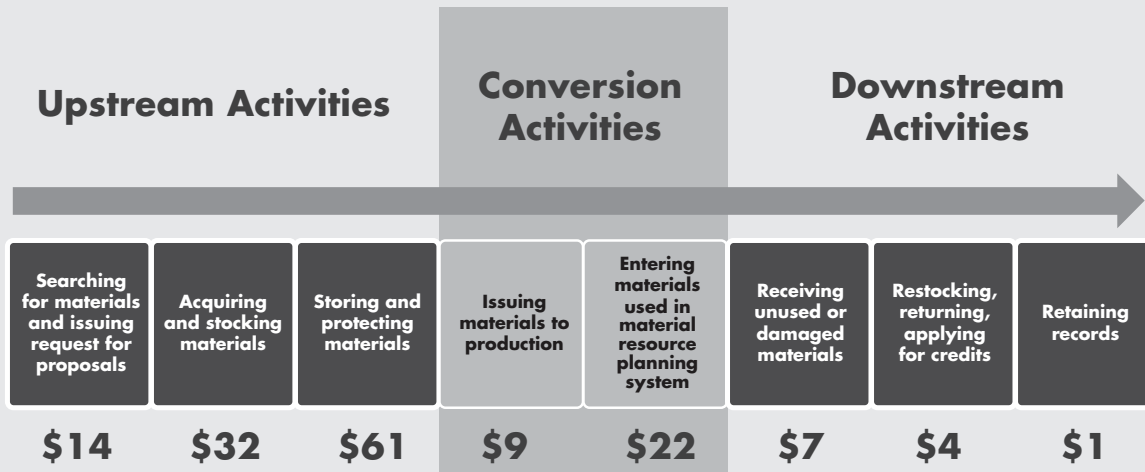
Purchasing Department's Value Stream

For Tony, I drew this diagram on a white board.



I explained, 'This is a value stream of a traditional purchasing department for a manufacturing organisation. Let us assume that this whole chain of activities costs your company \$150 per inventory item carried. Assume that you carry about 5,000 items, so this system chain costs CWBC approximately \$750,000 annually.'

'Assume that you did research on this process and conducted both a time study and cost per transaction analysis on each activity in this value stream. As a result of your research, this is what you came up with'. At that point I entered dollar amounts in each section of the value stream, so they totalled \$150.



I then explained, 'Notice how much certain activities within this stream cost your company. Now that you have this reliable information and you discover that the acquiring and stocking materials process is much higher than it should be, then you know you have waste within that particular process in your system'.

Tony interrupted to ask, 'Where would I get information to tell me this cost is too high?'

'Do you remember that information I sent you on benchmarking'?

He nodded and said, 'Yes, I do'.

'The information you seek is in that best practice regarding how companies that are committed to lowering their costs always seek out information from their industry to see what it is costing their competition to carry out similar activities'.

'Does this mean that we should study another manufacturing company, similar to ours, to find their purchasing function costs'?

'This is exactly what you do. If you cannot find this information from the competition or a trade group like a national association, you might find data that is based on cost studies by a CPA firm or a consulting firm. Where you get the information is not as important as noticing how another company compares to yours. Here is what I am getting at'.

I walked up to the board and pointed at the box labelled 'storing and protecting materials'. 'Assume that it costs CWBC \$61 per item. From the information you gathered, you learn that other companies spend only \$43 for this activity. What does this tell you?'

Tony paused for a moment and said, 'Clearly, we are spending too much money or doing things that don't need to be done in this particular function'.

‘That is correct’. I then pointed to another cost area. ‘You find that the companies you want to benchmark yourself against have good technology and this costs them \$3 for this part of the stream, but you spend \$22. Again the same question, what does this tell you?’

Tony grinned for a few seconds then got his normal serious look back. I could tell that he was getting my point. ‘It tells me that we possibly need to apply more technology and less people in order get the cost down’.

‘What happens when you get the cost down?’

‘The cost of our products will go down!’

‘Bulls eye! As your change team goes through this clean-up of Rod’s department, it is a perfect time for you to use this tool to get an understanding of what it is currently costing you in each of these processes within the entire system of purchasing’.

Dealing With the Team Issue

When I was sure Tony understood the tool I said, ‘Let’s switch topics to how you can make this group self-managing. My first recommendation is for you to do the same things you did with your team, namely (1) establish standards and expectations, (2) establish ground rules, and (3) introduce the team protocol that your team now uses. Whenever it’s feasible, invite purchasing’s employees to your meetings to learn how your team functions. Coach the purchasing team on how to follow your formats. Create specific opportunities where purchasing employees can practise being self-managed. Work on providing minimal oversight. This will take time, but you must let people fail successfully’. I could tell that Tony was processing this and attempting to overcome some scepticism.

After a pause I said, ‘I would bet that Rod was a micromanager and did not let his employees think for themselves. Purchasing employees will resist your attempts because they will prefer that you tell them what to do. Letting them think for themselves will intimidate some of them’. Tony kept nodding in the affirmative.

‘Next, identify who best in this department has the potential to be a leader and could serve as your eyes and ears so that you won’t need to spend all your time in that department’.

We spent the rest of the session developing specific action steps for Tony to get all of this done, which was the plan he would present to Jocelyn for her input and approval.

Follow-Up Meeting

Several weeks later, Tony and I met. He told me, ‘By using the stream analysis I was able to identify specific cost reductions, which I estimate will reduce the cost of our purchasing department by 27 per cent! This was greater than the 10 to 12 per cent Jocelyn was hoping for. Even better, we have already streamlined their processes in ways that should prevent further waste and cost abuse. Jocelyn is grateful that the purchasing employees accepted her challenge to work without having a manager. They agreed to look for ways of reducing inventory and further reducing the purchasing costs. She told the group, “If you are successful in this endeavour, I will award you a bonus equal to one month’s worth of your actual cost savings”. As of today, that would be around \$9,000 per person! The group is now very eager about accomplishing this goal’!

I asked Tony, 'What about your team? Aren't they also supporting this improvement effort? Do they deserve some sort of recognition?'

Tony responded, 'I am currently negotiating with Jocelyn about that. I am asking for a pool of \$120,000, the equivalent of what we are saving by not replacing Rod. After she agrees, which I believe she will, I will announce it to the accounting team.'

'Bravo!' I said, grinning.

A PROCESS TRANSFORM OCCURS WITH CONSISTENT EXECUTION

Change Agent Principles #55 and #56

Unclear priorities and the inability to execute them will eventually doom any plan for change and improvement.

Unclear priorities and the inability to execute them will lead to a process that produces no value.

When it comes to carrying out goals and getting things done, the execution of it can lead to varied results. Leaders constantly worry if things are getting done and in what manner. Therefore, this sort of leader is proactive.

Still, approximately two-thirds of the work you do each day is not a priority. Considerable time is wasted because work is done in a vacuum. This means that frequently there is not a clear deadline or that the criterion for success has not been stated. This also means the leader has not established the priorities. Master change agents need to be excellent at executing their goals consistently and use realistic deadlines while clarifying focus and ensuring tasks are brought to completion.

Always do the best you can. Keep doing your best until the objective is accomplished. This is a message you must convince everyone to believe. A change agent and their sponsor or client want to see progress and movement forward.

When you focus your energy on obstacles, you spend time and energy on dealing with those obstacles. However, when you focus your energy on solutions and improvements, you will make that a priority. Similarly, when you are clearly focused on one objective, such as getting a planned change implemented, you will do whatever is needed to get results with minimal wasted energy. **Tool #34: Focus and Productivity Checklist** will help you identify specific tactics to turn goals into measurable results.

Natural Law of Leadership

In leading a project, team, or company, execution and follow through is your critical success factor.

As a change agent, you must make things happen and the only way you can is to have systems in place along with processes and people. The focus and productivity checklist tool can help. This vital change agent tool can be found in the downloadable content that accompanies this book.

A PROCESS TRANSFORM OCCURS WHEN FEEDBACK LOOPS ARE DESIGNED

Natural Law of Change #41

Feedback creates transparency. With transparency, things that need changing and improving become self-evident.

Imagine someone who goes through life without ever looking in the mirror. Imagine driving your car without ever glancing or studying the dials and gauges and such on your car's dashboard.

Now, imagine an accounting group that establishes a new reporting system that relies entirely on encrypted PDF reports that the users must locate in a secured file of the company database. The person who instigated this process, the controller, (a) never asked the users if they wanted this new method before it was implemented, and (b) never asked the users after implementing it if they liked and understood his new self-described user-friendly system.

Decision makers in the organisation regularly take unbelievable actions like this one. They do not realise it is career suicide due to the following mistake: They failed to place a feedback loop into their work systems and processes. **Tool #35: Feedback Looping** will help you assess the effectiveness of change processes that are being implemented. This vital change agent tool can be found in the downloadable content that accompanies this book.

Natural Law of Change #42

Consistent and timely feedback leads to measurable improvements.

As in this example, an organisation that relies on only one type of feedback for its feedback loop does not know the unknown.

Example: Credit Memos Lead to Inventory Losses

As a newly hired controller, I noticed that we had a problem with inventory discrepancies. Employees from many different departments were allowed to issue credit memos to customers and each of them affected our inventory. I determined that the uncontrolled credit memo process had a negative impact, leading to the large discrepancies between the actual and general ledger inventories.

In our financial system, a sales invoice automatically credited (decreased) inventory, and a credit memo debited (increased) inventory. However, when a new corrected invoice was issued for the same transaction, the inventory had to be decreased through an adjusting entry. This was an undetected flaw in the system. Because this additional entry was neglected by many of the employees issuing credit memos, it meant that the general ledger inventory was always overstated.

I needed to know who was entering credit memos and why, so the process problem of overstated inventory could be corrected.

I shifted the process and added metrics that were simple and yet provided insightful feedback. Every time a credit memo was entered it needed a reason code. The codes were categorised in four areas, which were designed to give us information about why the credit memos were being issued. One category of codes had to do with customer accommodations. The second category told us if the credit memo was issued because the vendor created the problem. The third category informed me when an employee made a mistake in the sales or product delivery processes. The fourth category informed me that the source was an internal mistake, such as a data entry or incorrect account code.

After collecting this information for 60 days it was clear that

- 11 per cent of the credit memos were a result of customer accommodation;
- 24 per cent of the credit memos were a result of vendor problems;
- 53 per cent of the credit memos were a result of errors made by the sales or shipping departments; and
- the rest were a result of employee mistakes when handling data.

I was then able to assign accountability to managers in each area to reduce the amount of credit memos issued because an overwhelming majority were the result of bad data going into the billing system that were not detected, and from faulty employee decisions, both of which we had control over.

Within 75 days, the amount of inventory losses due to inventory adjustments caused by credit memos dropped by 95 per cent.

By establishing internal systemic metrics into an important process, it produced a solution to another process in the inventory and transformed our billing system for the better.

A PROCESS TRANSFORM OCCURS WHEN FEEDBACK METRICS ARE TRACKED

Natural Laws of Change #43–45

You must reinforce behavioural and process change to make it permanent.

The right metrics are vital for making good decisions. Wise decisions enable an organisation to transition faster and become both change-friendly and flexible.

Many of the pains experienced during a transition are connected to the fact that the organisation lacks adequate and insightful feedback.

In chapter 4, 'Focus Area #2—Culture', you learned about the role feedback plays in helping employees shift their behaviours. The same concept applies to processes and systems because without timely feedback points, you could have undetected problems.

This tool helps you decide specific metrics to instil in your systems and processes.

A *performance measure* is a metric of an important activity, which is quantifiable, measurable, and meaningful. You use the measurement as a yardstick that objectively measures achievement toward a specific business target, goal, or outcome. The metric usually compares an input to an output or one value to another.

Performance metrics can range from financial ones (such as days sales outstanding [DSO] and 90-day accounts receivable [AR]) to operational ones (such as inventory turn rate and scrap percentage), and from customer focused metrics (such as average number of daily customers and website hits) to process related metrics (such as number of backorders and on-time delivery). There are even the metrics to measure vendor performance, employee satisfaction, and quality of decisions made.

Tool #36: Process Feedback Metrics is a tool to use in conjunction with the feedback looping tool, to help assess measurable outcomes from change implementation. This vital change agent tool can be found in the downloadable content that accompanies this book. To demonstrate how this tool applies, you can understand its use by reading the case study where I apply it for Tony.

Case Study of System Metrics for Feedback—Tony

Recall our fictitious case study characters Linda and Tony. Tony uses system metrics to help a new chief executive get more in touch with the business.

The Courage to Help Jocelyn

When the break was over, I took charge. 'I know of two tools that you can use to help Jocelyn understand the business better and do it in a way that won't diminish her ego.'

As a CPA, you know the importance of metrics and the tools you can use to help her have multiple benefits. When combined, these tools will help you and Jocelyn to think more strategically and help her understand the business from different points of view other than sales’.

I described for Tony both the process feedback metrics tool and feedback looping. He grasped them quickly because he knew about scorecards and operational metrics.

‘Your primary challenge will be to convince Jocelyn to use these tools’.

‘How can I do that?’ he asked.

‘My suggestion is that you schedule a half-day meeting with Jocelyn and Carol on the topic of a new method for obtaining feedback about the organisation’s efficiency so Jocelyn can quickly get a global update of what is going on, both financially and operationally. You set the need for your solution by citing specific examples of areas that are currently poorly managed and why the area needs an operational metric’. I could tell he agreed with this approach as he continued to listen.

‘During this meeting you will need to be patient because you are asking Jocelyn to engage in something where she could be upset about not already having this knowledge. This is why you will need to be courageous as well as diplomatic and persistent’.

I could tell from his reaction that Tony suddenly lost his confidence about doing this. He needed a lifeline fast! I asked, ‘Would it help if I attended your meeting with Jocelyn?’

Tony nearly jumped out of his chair at my offer and said, ‘Yes. I would love to have you there!’

‘When you set up this metrics meeting with Jocelyn, inform her that you have invited a consultant on management reporting. You asked me to facilitate the brainstorming on specific metrics.

‘As part of this meeting’s agenda schedule, we will have a walkthrough of your manufacturing facility for the four of us. You and I can engage her in both questions and describe examples of metrics to help her understand the business better. It will require us to walk through the manufacturing system from beginning to end. Carol can be in charge of that task. As we go through it, you and I will literally place markers on key aspects of the manufacturing system and these markers will be where a specific measurement is needed. In order for Jocelyn to understand the metrics she will need to understand it. Does this make sense?’

Tony understood and saw how this would help Jocelyn.

‘The key to the success of this meeting will be to get the production manager Carol’s cooperation. You need her as your ally. Does she agree with you that Jocelyn needs a better understanding of the manufacturing process?’

‘Definitely. We chat about it almost every day’.

‘Does Carol understand what operational metrics are? Will she think you are stepping on her toes?’

'No. I know that she will support anything I do to get Jocelyn more versed in what CWBC does from a manufacturing point of view'.

Later That Week

Tony called me a few days later. 'I met with Jocelyn yesterday and I recalled that you said I need to be courageous. Now I know why. After I presented my idea, she glared at me. She seemed to take my suggestion as a condemnation about her ability as chief executive and stormed out of the meeting! I nearly had a heart attack. But the next day she came into my office, closed the door, and apologised to me. She told me that she overreacted and she had time to think about what I was trying to accomplish. She agreed about her need to understand the manufacturing system better'.

Tony then thanked me for warning him that she might act that way. 'When she came back, I thought for sure she was going to fire me'.

Our Walkthrough

The daylong meeting started out somewhat disorganised. Jocelyn was 20 minutes late and then was not clear about the purpose of a scorecard and the need for metrics. Rather than follow the planned agenda, I spent 30 minutes explaining what a scorecard is in simple terms. I could tell that she needed a framework, so I suggested that we do the walkthrough immediately.

Despite the awkward start, the walkthrough with the four of us went better than Tony and I expected. Jocelyn calmed down and was courteous and very gracious, keeping her ego in check. The whole time Jocelyn was very engaged, asking questions, some basic and some insightful, and showed that she really wanted to understand the manufacturing aspect better. It was fun to watch Tony take the lead on this. Carol demonstrated and described each aspect of their manufacturing system. At certain points, Tony taped a bright orange sheet to the machinery or inventory to show that having a metric in place at this point would provide either quantitative or qualitative feedback on how well things were going. At each of these points we paused and Tony would suggest a specific metric to use. My job was to explain to Jocelyn and Carol why this part of their system needed measuring. It took nearly three hours to complete the walkthrough and I felt the time we spent was an invaluable investment.

Jocelyn left us to attend a prescheduled lunch appointment. Before we said our goodbyes, she asked if I would meet with her later. I agreed.

I then invited Carol to come with us for lunch. I wanted her thoughts on ways that she could help Jocelyn be more comfortable with their manufacturing system. I could see that she and Tony were on the same page, so I sat back and listened to them brainstorm.

Later, Carol turned to me and asked, 'What do you think about today?'

I said, 'My impression is this. Before today, Jocelyn was more than a little embarrassed by her lack of knowledge, but did not want to admit it to anyone. Notice that she arrived late and was somewhat resistant at first. Her fear was showing'. They agreed with this assessment.

'Tony, I appreciate your willingness to both create and then open a door that provided Jocelyn a way to learn what she didn't know. The two of you invited her to walk through the door and you noticed how engaged she was once she got past her insecurity. In our walkthrough, Jocelyn was using what I call "chief executive speak" to articulate what she needed to know'.

I paused to see if they had questions. Both were quiet so I continued, 'It will take some time, but I believe Jocelyn will end up with a better understanding of how manufacturing works. However, the two of you will need to act like tutors and continue to provide pop quizzes until she masters some of the intricacies and nuances. Are you willing to do that?'

They each assured me that they would be happy to. Carol summed up our meeting with this comment. 'Up until today I was worried that she would say the wrong thing in front of a major customer and we would lose their business. Today gave me hope that the possibility of this happening has dropped significantly'.

Tony and I returned to his office to debrief before my meeting with Jocelyn. We agreed that Tony should develop a manufacturing scorecard from today's first step. 'As you develop it, work with both Carol and Jocelyn to select the right mix of metrics. A good scorecard takes about two years to perfect so the sooner you start the better. The act of developing one and selecting the proper mix of metrics will speed up Jocelyn's learning curve'.

Following Up With Jocelyn

Tony led me to Jocelyn's office. I greeted her and said, 'Tony and Carol were very appreciative of your willingness to learn more about the manufacturing system. It will allow them to help you run this organisation'.

'Thank you'. I could tell she liked the compliment and wanted to say more, but did not know exactly what to say.

I asked questions to see if she now understood how feedback metrics and looping worked to give her insights, and it was clear that she understood the basics. I suggested a book that she could read to get a better understanding.

During our conversation I could tell that Jocelyn was pleased with the work that we had done that day. She said, 'You were correct about Tony's ability to manage the technical or bottom-line aspect of his job. He has amazed me with the amount of costs that he estimates his team will be able to save with streamlined processes, and I'm sure he told you about the amount of money that we will be saving by not replacing Rod'. She paused to think of what to say next.

'I apologise for thinking that maybe your work with Tony was a waste of time. I guess I was just overly anxious about the problems that Rod's duplicity has caused for us. Thanks to Tony's work, we will be able to recover very quickly. I only wish the legal implications will be as easy to deal with. I am glad that you are Tony's coach'.

A PROCESS TRANSFORM OCCURS WHEN WASTED PROCESS TIME IS REMOVED

Natural Law of Change #46

Prior to redesigning a process, the value added content of most processes can range from 10–20 per cent of the process time. Through process improvement efforts, this can be increased to 40–60 per cent of the process time.

The goal of any process is to convert the thing that needs transformation into something else by applying work activities to or on it. Examples of this conversion include the complete accounts payable process of a purchasing or inventory system that converts an order for a raw material into a vendor payment and inventory on the shelf; the payroll process of a personnel system that converts employee hours into a pay check and the appropriate deductions to the correct depository accounts; and a manufacturing process of a production system that converts people labour, machine time, and various raw materials into a finished product that can be sold at a profit.

Not all the time devoted to a process and converting the thing that needs transformation adds value to its output. The feedback metric section includes a list of work activities that add no value to a process. However, it is these activities that make the process take longer than it needs to.

Process time is the period it takes employees to complete the conversion as they go through the entire routine from start to finish, including time spent between sub-processes. This is the time that the thing that needs transformation is being worked on by the people using the process. It is also known as throughput time or turnaround time. Process time is the sum of all cycle times plus non-cycle times, such as delays, storage, handling, and waiting. In this tool, process time represents the length of time it takes the process from beginning to end.

Cycle time is the actual time the employee puts in adding value to the end-product. Cycle time excludes delays, storage, handling, waiting, error checking, and correction. Any work that does not add value is not part of cycle time period. In process management, cycle time is actually a measure of throughput (that is, units per period of time). For this tool, cycle time is limited to the actual work of conversion, which is the driver or contributor to the value in the outcome, product, or the thing that needs transformation.

Process time and cycle time do not have the same unit, although their names include time. Process time is measured by elapsed time increments (for example, minutes, hours, and so on), whereas cycle time is measured by the amount of time per unit (for example, minutes per customer, hours per part, and so on).

Tool #37: Cycle Versus Process Time should be used to create immediate awareness of value as it relates to the time it takes to go through each step in the process. For this tool, we will ignore the alternative measurements of cycle time for simplicity purposes. This vital change agent tool can be found in the downloadable content that accompanies this book. To demonstrate how this tool applies, you can understand its use by reading the case study where I apply it for Tony. Pay attention to how Tony uses this tool to quickly identify wasted time in an everyday accounting process.

Case Study of Finding Non-Value Time in a Process—Tony

Recall our fictitious case study characters Linda and Tony. Tony employs the process versus cycle time analysis tool to understand how to improve his accounts payable process.

Tony's Contribution to Profitability

Our next session was a week later. Because Tony had so many things going on that were a priority, he needed some intense coaching. We were meeting about every four days. As soon as I was settled comfortably into his office, Tony started the discussion.

'Ron, I know that we have tremendous waste in our internal processes, but I am not sure how to easily uncover it. As you know I don't have a lot of time and my staff is not trained in concepts such as lean or process improvement, and as you discovered from your conversation with Jocelyn last week, she has us under a microscope to make improvements quickly'.

'Relax, Tony. You know I have your back. The first tool you can use to make your processes more effective is called the cycle versus process time analysis. It is a common tool used in manufacturing to determine the natural gap between how long it takes for a process to be completed from beginning to end versus how much value is added to that process along the way. It is easy to learn, teach, and understand. Your investment will be in the time it takes to do the full analysis of each process. Let me show you how it works.

'This tool helps you and your employees decrease the amount of time it takes to work through a process. It is based on the concept of cycle or takt time'.

'What's that'?

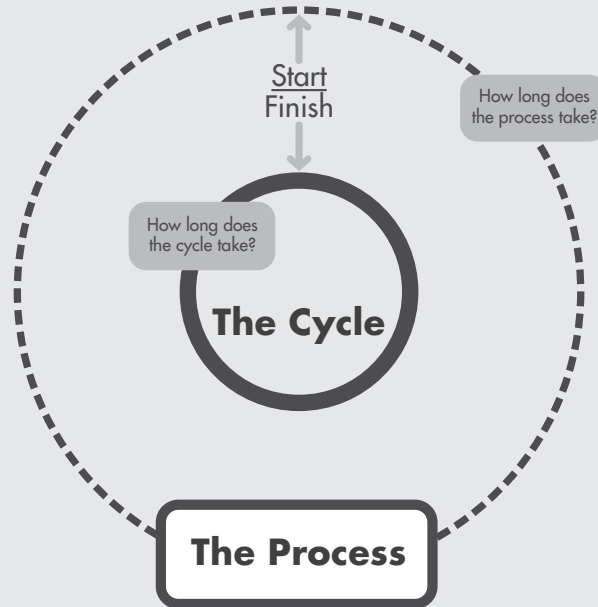
'Takt time, derived from the German word taktzeit, which translates to cycle time, sets the pace for manufacturing lines. For example, in automobile manufacturing, cars are assembled on a line and are moved on to the next station after a certain time known as the takt time. The time needed to complete work on each station must be less than the takt time in order for the auto to be completed within the allotted time.

'The takt time concept aims to match the pace of production with customer demand and the available work time available. Based on your experiences, why is it important in the manufacturing arena to understand cycle time?'

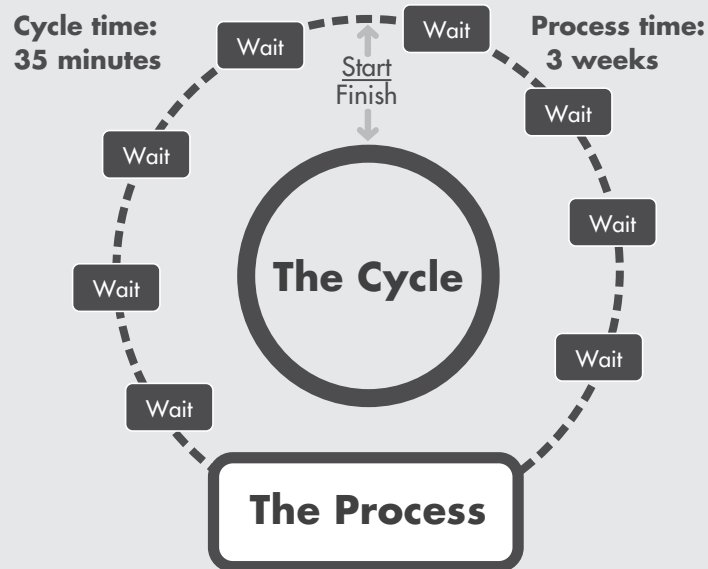
Tony answered. 'The cycle time is the value that gets added to one of our water treatment units. The work that is done outside of this cycle time is usually overhead in nature and only adds unnecessary costs to our product'.

'Exactly', I said. 'This cycle time concept applies to your administrative process, such as accounts payable. As a cost accountant you studied cycle times of several manufacturing processes. You do the same sort of analysis to determine the cycle time of accounting processes. Let's use it on the process of converting a vendor's invoice into a payment'.

Visualisation of Process Versus Cycle Time



To help you (the reader) understand the difference between cycle and process time, look at the following figure as you read this case study about the handling of accounts payable. The starting point for this process is when Tony's accounts payable (A/P) supervisor receives the vendor's invoice.



The process starts:

The vendor mails CWBC an invoice.

Wait #1—sits in the post office box until someone picks it up.

An employee sorts the mail and it goes into an intercompany mail folder, which is placed in a box in the mail room.

Wait #2—sits in a mail room.

Your A/P specialist picks up the mail daily and takes the mail to his desk where he opens the envelope and sorts the contents. All payable invoices are placed in a stack where they will be dealt with later.

Wait #3—sits in an inbox.

The A/P specialist takes the invoices out of the envelopes and places them in a stack so he can match them with a purchase order later.

Wait #4—sits in a pile.

The A/P specialist starts the matching process. For this single invoice that we are tracking, he cannot find the purchase order in the system. He sends an e-mail to purchasing and places this invoice in a pending folder.

Wait #5—sits waiting for information.

Purchasing does its job and provides the information requested. Your A/P specialist is too busy to get to it today.

Wait #6—sits in a queue.

When he gets back to the task, the A/P specialist notices a discrepancy between the purchase order and the vendor invoice. He calls the vendor and leaves a voice mail.

Wait #7—sits waiting for information.

Later, when the vendor returns the call, the problem is cleared up, but the situation requires the purchasing manager's approval. The A/P specialist routes the revised purchase order to her through the interoffice mail.

Wait #8—sits waiting for approval.

Once he gets the corrected purchase order back, the A/P specialist enters the invoice into the data system and files the vendor's invoice in a holding file until the check is printed.

Wait #9—sits waiting for further processing.

On the correct day, the A/P system prints the check, which is matched with the invoice. The entire day's batch is sent to the controller for his approval.

Wait #10—sits waiting for approval.

Once he signs the checks and does his internal control verifications, the controller sends an e-mail to the CFO asking if she will authorize the day's cash outlay.

Wait #11—sits waiting for further processing.

Finally, the A/P specialist receives the batch back and takes them to the accounting assistant.

Wait #12—sits waiting for further processing.

The accounting assistant places this vendor's check into an envelope and forwards it to the mail room.

Wait #13—sits waiting for further processing.

The next day, the mail room employee stamps the envelope and it is on its way to the vendor.
This process is completed.

'Tony, assume that you had a stopwatch and used it to time how long each employee actually did work within this process which adds value to the vendor. This would exclude all the work steps of sorting, error checking, approving, problem solving, sticking in an envelope, and aging. Your stopwatch will show that only 35 minutes passed.'

I wrote this next part on the room's whiteboard.

Tony's Findings

Process Time = 3 weeks or 225 minutes

Cycle Time = 35 minutes

'Your A/P payment process has 190 minutes of wasted time! This wasted 190 minutes serves no value to CWBC's vendor. They have no desire to pay for this non-value work.'

Aging Time Argument

Tony tried to argue that I needed to include the aging time in the cycle time.

I responded, 'That is an irrational argument and here's why. Answer this question for me. Which is of more value to this key CWBC vendor: getting the check today or three weeks from today?'

The answer was obvious; Tony answered, 'Getting one today'.

'Value is defined by your customer, not you. Therefore aging time is of no value to the vendor. It is something that is important to your company, but not the vendor. As an accountant you were taught how to look at value from the inside out, meaning what is best for your employer. As a change agent, you have to see things from the outside-in and this means re-evaluating what you define as value'.

'I am just starting to realise that', replied Tony.

I continued. 'In this example of processing A/P there are 190 minutes wasted that could be re-engineered out. Assume that the value of your employee's time is \$50 per hour. This one invoice has a waste factor of \$158. Like most manufacturing companies, you process thousands of A/P invoices each month. Being conservative at 500 invoices each month, your accounting team has wasted time that is worth \$948,000!'

What could your firm do with \$948,000?

What could you do with more time?

We took a break because I knew what was coming up next. Tony needed some ideas on how to help with improving the company's profitability in ways that would enable Jocelyn to be a better leader of a manufacturing company.

A PROCESS TRANSFORM OCCURS WHEN CONTINUOUS IMPROVEMENT IS BUILT

By now you understand the importance of learning as a catalyst for change and the role it plays in making an organisation change-friendly. You also realise people will change faster when they are in the learning mode.

Learning is also directly tied to improving processes and systems. Systems can have features built into them so that learning takes place automatically. This is known as continuous improvement and is a core principle for Six Sigma, continuous quality, and the Toyota Way. All of these management philosophies emphasise that continuous improvement must be embedded into your cultural norms.

Continuous improvement is the act of improving quality, productivity, and cost by eliminating waste. Therefore, every process needs a sub-process designed to improve it. Continuous improvement is a leadership philosophy that asks employees to commit to never be satisfied with the status quo. Continuous improvement is the understanding that there can be better ways to get the work done and it is up to the employee, not someone else, to find that better way.

Tool #38: Continuous Improvement Infrastructure speaks for the need to look at continuous process improvement in a structured way. This vital change agent tool can be found in the downloadable content that accompanies this book.

SYSTEMS AND PROCESSES ARE ALSO ABOUT PEOPLE

Commit to Improving the Group That Leads a Change Effort

We will now turn your attention to a way to use process management to turn the group into a team that is dedicated to making the work go smoother and rely on one another.

Why should I be concerned about how well my change team works together as we make our processes better? If that is going through your mind right now, here is why. The reason is tough to hear and that is why you need to address it. To beneficiaries of a process, each person involved in it is an interchangeable part.

As the leader, you have many tools available to you to use in order to foster and support a teaming mentality within your group. This section summarises the most important ones. Your primary goal as the change agent is to foster a team that can always be counted on to change the world with the work they perform. You will always have fewer resources available to you to get the job done in a timely and productive manner. This is why you must work to develop a united 'we are one team' mentality within your group.

The *teaming culture* is one where every member is a fully participating peer who has equal say in the decisions and whose contribution is valued. A team is more than just a group of people who have been thrown together for a reason. The team, to be successful, must have every member own the following two attitudes:

1. If the team is to succeed, I must do everything in my power to make that happen.
2. If I fail to deliver, then the team suffers and I let down my team.

In the teaming culture, the team is only as strong as the weakest performer. Therefore, a true united team works together to raise the performance of every member so there are no substandard performers. This requires a commitment towards interdependence.

‘It takes a village to raise a child’. You may have heard that African proverb used in many arenas. It also applies to your team. The necessary change—the child—requires everyone’s attention and support to ensure it grows from introduction (birth), to conceptualisation (early childhood), to implementation (mid-childhood), to taking affect (tween years).

You do not create a team by putting people together and declaring, ‘We are now a team’! The group must have a structure to help support behaviours that foster a teaming culture. Then, following a roadmap of structure, the team will undergo a predictable learning curve that is based upon the way people learn. Just like people, teams need to go through their own period of learning. As shown in figure 5-6, there are four predictable phases:

Forming Stage. The group is in status quo when everyone is somewhat content in this state. In the first stage of team building, the forming of the team takes place. The behaviour of individuals is driven by a desire to be accepted by the others and avoid controversy or conflict. Serious issues and feelings are avoided and members focus on being busy with their regular work and follow traditional routines, such as letting the leader make all the decisions. This is a comfortable state to be in, but the avoidance of conflict and threat means that little progress is made towards unity.

The team meets and learns about the opportunities and challenges, agrees on goals, and begins to tackle team-based outcomes. Team members tend to behave independently, yet may be motivated by the objectives of the team. They may lack the context to make meaningful contributions towards them. Team members are usually on their best behaviour but are very focused on themselves.

The forming stage is important because, in this state, the members get to know one another, become more personal with each other, and establish relationships or alliances. This is also a good opportunity for a leader to see how each member of the team works as an individual and how they respond to peer pressure and accountability to the team’s standards.

Storming Stage. Individual members are in denial and hold on to the past in this state. Every group will enter the storming state where different ideas compete for consideration. The team addresses issues such as the leadership model they will accept, the structures they will use, and what to do about the weak members. Team members open up to one another and occasionally confront each other’s ideas and perspectives. In some cases, conflicts can be resolved quickly, and in others the conflict remains. The maturity of team members usually determines whether the team will move out of this stage.

This stage is necessary to the growth of the team, even though it is awkward to witness and experience. It can be contentious, unpleasant, and even painful for members of the team who are averse to conflict. Without tolerance and patience the team will fail. This phase can become destructive to the emerging team and will harm engagement if this infectious ‘me or us’ confusion is allowed to be the norm. Some teams never develop past this stage.

Norming Stage. This is the state where confusion exists caused by the fear of letting go of the old ways. In this stage the team manages to develop one overriding strategic goal and arrive to a mutually beneficial plan for the team. Some members at this point realise they must give up their own ideas and strive for consensus in order to make the team function. In this stage, all team members take the responsibility and have the ambition to work

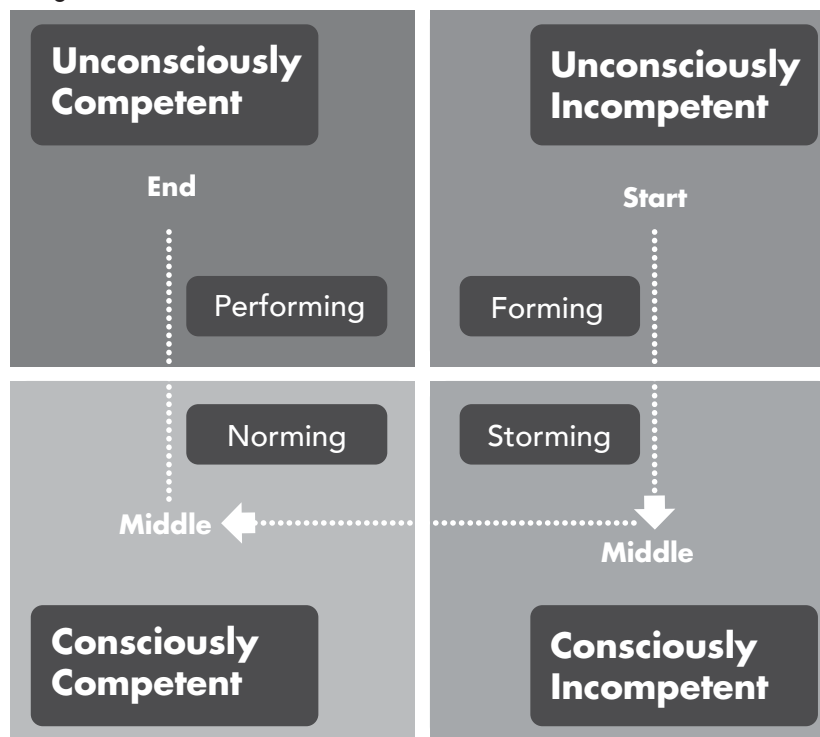
for the success of the team's goals. The team members have finally learned to work cooperatively, most of the time. They also learn how to apply mutual accountability.

Performing Stage. This is the state where renewal begins and the team is moving on to a higher level of performance and cooperation. It is possible for a team to reach the performing state; it is the final destination, but not a permanent state. High-performing teams are able to function as an interdependent unit as they find ways to get the job done smoothly and effectively without inappropriate conflict or the need for external supervision.

By this time, members are usually highly motivated, driven to succeed, and knowledgeable. The team members are now competent, autonomous, and able to handle the decision-making process without supervision. Dissent is expected and allowed as long as it is channelled through structure that the team developed for themselves. Conflict amongst team members is seen as a learning point rather than a malady that needs to be ignored.

However, a team can experience a setback, such as the addition of several new members or loss of the team leader and regress back to a previous state. Therefore, the team and its members must continue the work on learning how to work together well.

Figure 5-6: Team Learning Curve*



*The Forming—Storming—Norming—Performing model of group development was first proposed by Bruce Tuckman in 1965. It is considered foundational work for a team's development.

Why Teams Need Time to Develop

Great teams produce outstanding results, but not immediately. In fact, due to the learning curve and the struggle to accept new paradigms, such as deciding by consensus, using mutual accountability, and accepting

team-based rewards, the early stages can often be disastrous. As soon as a group of people are put on a team to accomplish something, their collective performance drops. Members of the team are frustrated. Soon, people who know the members cannot understand why the group is so unproductive.

At this point, people on the team are ready to quit. With patience, support, good leadership, and structure the group will turn the corner and discover that they do know how to work in a united front. If they continue to learn and practise the structural tools, and engage in cooperation, interdependence, and mutual accountability, things will get better. Soon the performance of the group exceeds the performance of the collective individual. This is described as team synergy. Ultimately, the group surpasses their individual separate performance levels and is excelling as a group. However, this takes time. Based upon process improvement work conducted by High Road Institute and other experts in the field, it takes the typical work group, on average, up to 18 months to go through the four stages from norming to performing.

Leader's Influence on the Team

The CFO or controller who wishes to build a cohesive group without the need to manage them closely must look to the process of team-building to enable the group to work as one. Teams can be successfully developed, providing you facilitate the group to develop their own tools, structure, value system, and the standards that help them to foster their own team culture. If you want to develop a group of people who can think for themselves and work interdependently, you must first develop and instil a team mentality in the cultural norms. With a strong team, you can enhance your reputation by focusing your time and attention on activities that add value. **Tool #39: Team Structure** is designed to assist the team's leader in developing a team that gets high-quality results. This vital change agent tool can be found in the downloadable content that accompanies this book.

THE COMMUNICATION FACTOR IN CHANGE

Both Tony and Linda learned that a good, healthy, and active communications system is a core necessity for making change happen quickly and somewhat painlessly. We will now enhance your knowledge about effective communications within an organisation and the areas you need to enhance to build good, healthy, and active communications in your change efforts.

Natural Laws of Change #47 and #48

Leadership is communications, so to change successfully everyone needs to communicate well.
97 per cent of all business problems have either a lack of communications or breakdowns in communications in their root causes.

Surviving Change Requires Flawless Communications

The fourth building block of an organisation is its communication system. Although a change-friendly culture must have flawless communications, and that despite your best efforts to make it so, you will never be able to fix every communication roadblock or deficiency.

Knowing this fact gives you an opportunity to place improving communications as a standard action step in all future change plans. In any organisational effort, communications will result in confusion, foster misunderstandings, be neglected, get minimised, and collapse in the face of barriers. This reality about communication is not meant to undermine your efforts to enhance your organisation's system of communication. I provide this dose of reality so that you take its normal imperfections as a challenge. Every communication system needs improving! You can start with these rules of organisational communications:

1. Good communication is impossible unless leaders consistently do the right thing, according to the needs of the problem or situation, to the best of their ability.
2. Employees of an organisation do not inherently identify their own interests with the interests of the organisation.
3. No matter how well the organisation is doing, employees sometimes have difficulty seeing what stake they have in it.
4. Employees have multiple sources of information. They are not chiefly dependent on what they are told through official channels. The employees' most trusted information is their own day-to-day experiences. Their second most trusted source is the company grapevine or rumour mill.
5. Do not ask for an employee's opinion or suggestions unless you really care and intend to act upon that information.
6. When a negative event occurs, which leads to employee tension, no matter the source or cause, the anger will manifest itself. Employees who feel wronged will find a way to express their feelings, to the detriment of the organisation. They often misuse communications as their weapon for retribution.

Change Agent as Communicator

As proof of the critical nature of why a leader and change agent must communicate well, let's play with your imagination for a second.

Example: Park Versus Lane

You have been asked to be part of the team that needs to integrate several multiple stand-alone accounting systems as 2 large companies merge into one. This will be a complicated project and will be your daily focus for the next 16 to 20 months.

Think how you would feel about being heavily involved in this project if the team's leader is described in a certain way. Read the first list (from top to bottom) on how the leader is described by others and answer the question at the end of the list. Next, read the second list and repeat the process. Finally, answer the final two questions and read the point.

Working for Park

LEADER PARK IS DESCRIBED AS FOLLOWS:
Kind
Open
Honest
Straight forward
Inquisitive
Plain spoken
Warm
Praising of people
Openly grateful
Supportive

How would you feel working for Park?

Working for Lane

LEADER LANE IS DESCRIBED AS FOLLOWS:
Hypersensitive
Critical
Sarcastic
Cold and withdrawn
Verbose or wordy
Fond of jargon
Overly blunt
A prevaricator
Unclear
Constantly wavering

How would you feel working for Lane?

Which leader would you prefer to work for?

Why would you feel more comfortable working for Park?

From this description, Park is perceived by others as professional, credible, dependable, and trustworthy. However, this view comes entirely from words people use to describe how this leader communicates.

Do you see now that how you communicate has a greater impact on people than what you communicate?

Natural Law of Leadership

How you communicate has a huge impact on your ability to lead others to a positive outcome and if you are trustworthy as the leader.

Your change project will always include working with other people. Therefore, communication takes on a whole new level of importance when you become a master of change.

I have noticed that the leader who people gladly follow and admire communicates differently from everyone else. My observations are confirmed by the studies highlighted in *Good to Great*, *Exceptional Leadership* and *Why CEOs Fail*. It is not the tone, sound, or rate that makes the good leader's communication stand out from everyone else's. Rather, it is the quality and how they communicate that impacts others positively or negatively.

How the Change Agent Needs to Communicate

People who are considered to be good leaders and effective communicators have the following seven qualities, which can be mastered with practise; feedback; and persistence, in their communication style:

- *Positive*. A communicative leader often sees the positive or upside of things. This person rarely speaks in a demeaning or negative way, even when the situation calls for it or the leader feels less than positive. To me, it comes from habit and from having an 'I am able to deal with the cards that were dealt' attitude. A trait of the great leader is that they assume the best about a situation or a person.
- *Calming*. I know when I am in the presence of a great leader because this person has a calm manner, which I can feel. This is where leadership charisma starts. By relying on their positive and passionate nature, good leaders believe that no obstacle is too large to overcome. This can-do attitude flows naturally out of their demeanour and conversation. Even if they are worried, you will not know it from their tone or words.
- *Direct*. Listen to the difference in how a very communicative leader speaks and how a non-leader speaks during a stressful situation. The novice will be hesitant, wavering, or unsure. The tested leader rarely speaks with subtlety or passivity. This quality comes from confidence and self-assurance. Experienced leaders know that being direct has many purposes, from causing the prevaricator to tell the truth to reducing the anxiety of the worrier.

All too often, introverted management accountants rely on others to communicate for them. This is a huge error in judgement because you are telling people that you are unapproachable, not open, and unwilling to engage in two-way dialog.

- *Clear.* The communicative leader strives to be understood, so they continuously work on their skills. These leaders are self-aware enough to spot when their communication is not clear and will do their best to remove any ambiguity or confusion they create. Experienced leaders also ensure that others clearly communicate with them and use their skill of questioning to accomplish this.

Clear communication means that there is no doubt regarding the message. Communication is not completed until all parties have listened and understood the delivered message. Leaders know this and always ensure that their messages are delivered.

- *Challenging.* When they need to be, communicative leaders will use their directness to create a challenging tone to their conversations. Leaders understand the devastating impact that a bad decision can have, so they will often challenge the facts and assumptions to make sure that they have the best, latest, and most reliable information to use in their decision-making. Although being challenged can feel intimidating, leaders hold themselves and others to a higher standard and use challenging questions and responses to demonstrate this.
- *Questioning.* The skill of questioning complements the skill of being direct. The communicative leader will ask questions to bring out facts and uncover the truth. The good leader knows how to use the right question to get people engaged and enrolled. In fact, if you observe a good leader, you will find that in the first half of any conversation, they rarely make factual statements or ‘I feel’ comments. Most of the conversation will involve the leader asking questions and you supplying the answers. The amazing thing, in a dialogue with an experienced leader, is that you are not aware of the amount of questions you are asked.
- *Centred.* If I could place one word that summarises all these communication abilities that a great leader owns, I would use centred. Change agent leaders use their confidence as the focal point in their communication. This centredness impacts their followers and is what adds to their credibility and trustworthiness.

Does that mean that they will never communicate poorly?

No. We all make mistakes! You and I are human. In the leadership research studies conducted by Zenger and Folkman,² they found that a halo effect impacts every great leader. Because a change agent leader is good at so many things, the halo effect comes into play around how they communicate. When followers are in the presence of a great leader, followers overlook many of this person’s flaws, including communication imperfections.

Convergence of These Skills

As discussed in this chapter and previous ones, you hopefully noticed how often the necessity for good and effective communication has in managing and thriving on change. In your efforts to be seen as a true agent of change, it will help you tremendously if you memorise the next truism.

Natural Law of Change #49

Positive change will not take hold or last unless the communication system is held in high regard by all the people involved in that system.

You can use **Tool #40: Communication Skills Self-Assessment** to assess how well you communicate and identify where you need to improve. This vital change agent tool can be found in the downloadable content that accompanies this book.

HOW TO REWARD THE PROCESS IMPROVEMENT MENTALITY

These tools can and should be used in combination, and is the reason why I provide so many. When used in conjunction, they will make it relatively easy for your organisation to reward a process improvement mentality. Each tool has measurable elements to it. These measurements make it easy to design rewards that can be used to entice employees. In the next chapter we will cover how to establish meaningful rewards.

The key point about process improvement mentality is that the effort is not a one-time event. Any incentive, merit, or reward system put into place must be designed for the long-term, sustainable delivery of tangible value. As your processes slowly start to improve, your organisation will experience dramatic boosts to your firm's bottom- and top-line in the early stages. However, as time passes, the improvements will be much smaller. The financial, operational, and other payoffs will take longer to reach and require much more effort, which demands patience and commitment.

If your rewards in the beginning of a continuous improvement effort are large, then when the improvements become incrementally smaller, so might your rewards. This is a clear distinction for employees to understand as you continue the effort of improving the process. As you plan the rewards to remind employees of the importance for having a process improvement mentality, you will need to be creative in how rewards are determined. The good news is that through the metrics in your feedback loops, you will identify clear standards by which you can match a reward to a specific improvement.

The next chapter provides you with suggestions on the best ways to reward people for being open to change and a willingness to put their brains into their work.

FINALLY

It is impossible to isolate each individual process within a system that hides, contributes to, and abets lingering and painful problems. You can rely on this fact: if a process fails to add value, then the place to look for its causes is the system. Investigate this before you attempt to improve the faulty process.

You must address all of the aspects of a system in your efforts to make positive improvements. Addressing only a process and ignoring the system it resides in is like the coach of a sports team attempting to make one individual player's performance better when the performance of everyone on the team is lacking.

I am certain that you would love to believe that all of your organisation's systems work well or are adequate to get the job done. However, I guarantee you have crashes, meaning major conflicts between what your customers want you to do and what you deliver. I know for a fact that many of your current processes do not have the end-users needs as its focal point for the work people do. Finally, I assure you these crashes and conflicts mean that you and others do unnecessary work each day, using labour and energy that could be better applied. However, this requires people and systems to change!

To the benefit of her company's future, Linda discovered that excellence only comes through change. She learned that improvements and creative solutions require involvement, which requires getting employees to

be part of the solution. You obtain this by asking their opinion and letting them design the solutions. This approach paid off for Linda.

Tony learned a similar lesson, which he shared with the chief executive. Employees usually want to make systems and processes better but they need to know how and why. Once those are made clear, employees need to know that their ideas will produce results, such as innovative products and processes, or remove obstacles to their personal effectiveness.

I close this chapter with a story that taught me a lesson about just introducing change without an emotional commitment to embracing the benefits.

THE ADDRESS HAS CHANGED, BUT THE CLUTTER IS THE SAME

‘This is Mom’s chance to get organised, remove clutter, and simplify her life’.

This is what I hoped would happen to my mother Irene Rose when she moved to a new home. After 60 years of marriage, she is now experiencing widowhood. The house where she and my father lived for over 30 years could best be described as having a tremendous amount of clutter and chaos. My parents seemed unable to create a system of organisation that they could follow. My parents had so much stuff that they could not keep track of it all. My father collected things and never got rid of old or unusable stuff, and my mom felt the need to have every surface—wall, bookcase, or table—covered with something.

So with this move, my hope was this: as Mom packed up all mutually accumulated stuff, over 60 years’ worth, she would recognise the need to simplify her life and get rid of a lot of things that were taking up space and not needed. The new residence she moved into was about a third of the space of her previous home. These are the reasons why I thought it would be a perfect opportunity to un-clutter her life and surroundings.

However, something I did not expect happened!

I visited her new home two months after she moved in and I saw the same sort of clutter, complexity, and chaos that she had in her previous residence; there was just less of it. ‘Why?’ I wondered. Here was a golden opportunity for her to create something different, yet she did not seize it.

I realised my mother is simply not able to envision a whole new look to her house. She has made the interior of her new home look like the interior of her old one.

This made me consider the popular definition of insanity: Insanity is doing the same thing and expecting a different result.

My mother’s move made me realise there are two important corollaries to this definition: If you want a different outcome, you have to change what you are doing, and, most importantly, unless you adopt a new vision that supports the change, you will not end up with a different result and will probably end up feeling frustrated.

This second corollary applies to you and your organisation as well. Unless you can envision a new you, the leading-edge information in this book will not take root. You will end up in the same condition you are in now—frustrated and not as effective with change as you could be. Similarly, unless the people in it can envision

a whole new look to their culture, processes, and its people management, then your organisation will end up in the same condition it is in now—unable to reach its fullest potential for growth and profits.

The tools in this chapter are your arsenal for removing flawed processes from your organisation. When employees are focused on their work and pay attention to what they are doing, they are more likely to find the flaws in your systems and remove any wasted efforts in the daily processes they use.

Endnotes

1 Adapted from 'Best Practices' by Bob Gunn, *Strategic Finance Magazine*.

2 *The Extraordinary Leader: Turning Good Managers into Great Leaders*, John Zenger and Joseph Folkman.

6

HOW TO PREVENT BACKSLIDING

You can do your best work in preparing your company and its people for a beneficial, well-thought out transformation, and just when everything looks like it is proceeding according to your plan, something unexpected like super storm Sandy strikes and derails your efforts. Life is like that. Change is like that. If change went from A (that is, status quo) to B, to C, to D (that is, a better tomorrow) in the manner you want it to, then there would be no need for you to enhance your change agent skills. The true master of change knows that there will be backsliding of people, processes, systems, and the culture. Regression is a fact of nature.

REGRESSION IS INEVITABLE

You may have heard this law of physics: Nature abhors a vacuum. This means that if there is a space without air, once it is exposed, air will fill the space with a pressure equal to the area outside the vacuum. Therefore, if you want a space that has lower or higher pressure than the outside environment, you must build the system to offset this law. There is another law that relates to change: Everything returns to stasis or equilibrium. This tells you that creating momentum for change means you must overcome this law with a tremendous effort or exertion. Otherwise, a small momentum is not enough to get past stasis or status quo.

Example: Rock Moving

Try pushing a heavy rock out of its resting place. It will take a huge amount of effort to give the rock momentum and continuous pushing to create some kind of movement forward. But then, if you just stop putting pressure on the rock, it will naturally go back to its original resting place. This happens with people, a process, or a culture. Unless there is an intense effort to get the rock (that is, people, process, or culture) moving and a continual strong application of forward movement, the rock will go back to the state it was before you began the movement forward.

Example: New Attitude

Sarah, a controller, wants her team members to act in a more responsive manner to all employees in the organisation. Sarah informs her team of the need to be more service-oriented and describes specific things she wants done. Despite explaining this and providing daily encouragement, after two months, she is discouraged because the attitude for service has not taken root.

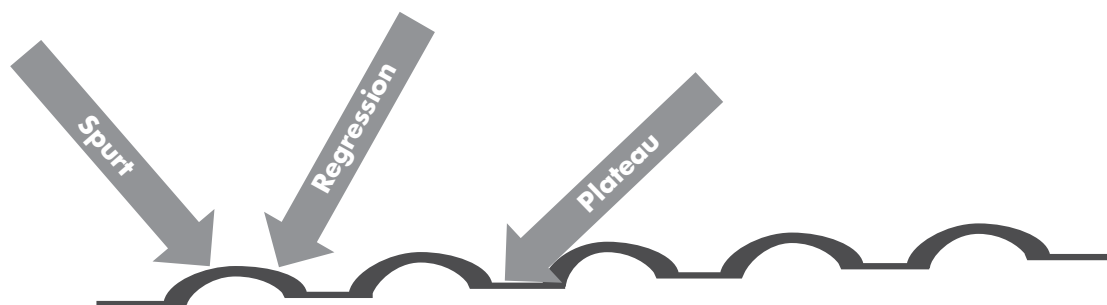
In her frustration, she fantasizes about firing everyone and starting over. The problem is not with her employees. Sarah's downfall is that she did not create enough momentum for change and her team succumbed to the laws of physics and human behaviour.

The journey for making change take effect completely and without too much chaos is a challenging one. It requires everyone, starting with the leader, to stay focused on the roadmap. This route, often the path of most resistance, is fraught with pitfalls and hazards. The path for getting beyond an unfavourable status quo traditionally starts with baby steps or single actions. These small actions build the confidence necessary for the tough and often long journey. This path at first will seem like an endless road going straight up.

When people and organisations experience change, they have natural periods of regression due to the pull of equilibrium. This is known as the plateau effect. Another reason for the plateau effect is the human factor of change. As in any arduous journey, once things get really difficult, it is easy to take the nearest exit off the mountain and give up. Quitting then becomes the path of least resistance.

If you know there will be natural regression, you can plan for it. Each major adjustment is followed by a small or large regression. As you climb the big mountain of a transformation, at each small hill of change, your people will take four steps forward and then one step backward. Each step is a shift. (The numbers are not exact; they only represent the normal ratio of progress to regression.) Figure 6-1 shows how the path for improvement looks on a progress chart.

Figure 6-1: The Plateau Effect



The goal of making progress requires that each fall-back or regression ends up on a plateau that is higher than the last regression. If it is lower, then your organisation has taken five or six steps back instead of the normal one or two. This is why feedback loops are an invaluable tool to determine if the progress exceeds the backsliding.

The master change agent is hyper aware of these regressions as the gravity of stasis pulls people back to the old ways. The first part of this chapter covers what the change agent does after noticing these brief periods of regression.

WAYS TO MINIMISE CULTURAL BACKSLIDING

One thing that will help you prepare for backsliding is to incorporate the next natural law into everything that you do as both a leader and a master change agent.

Natural Law of Change #50

The more you anticipate the unknowns of change, the more prepared you are to overcome the perils of the unknown.

You can apply one tactic (frontloaded planning) and two tools (41 and 42) each time that you sense the organisation or team is heading backwards instead of forwards. I suggest that you implement these tools and tactic early on in your plan for change, so you lessen the harmful impact of plateaus and regression. The must-use tool for developing your plan for change is number 47. The ideas suggested for these improvements are generated from applying most of the tools in this chapter.

Tactic: Frontloaded Planning. Frontload planning can be used anytime and anywhere, but you must sell the need for it. Many organisations do not employ this tactic because the emphasis in business is on action, which means planning is neglected.

Natural Law of Change #51

When the people involved in leading a change invest in above average planning, the effort to get past status quo is easier, faster, and less costly.

Figures 6-2 and 6-3 further illustrate this natural law. The first represents what happens when planning is rushed, and the second demonstrates what can happen when maximum time is invested in the planning for the change.

Figure 6-2: Inadequate Planning Graph

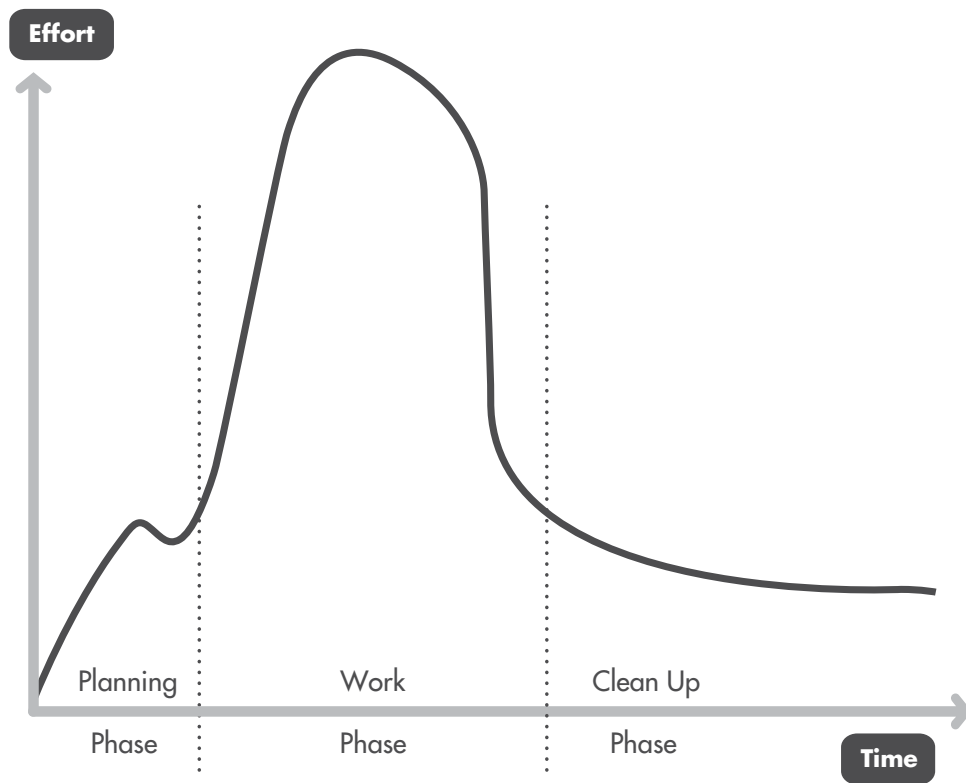
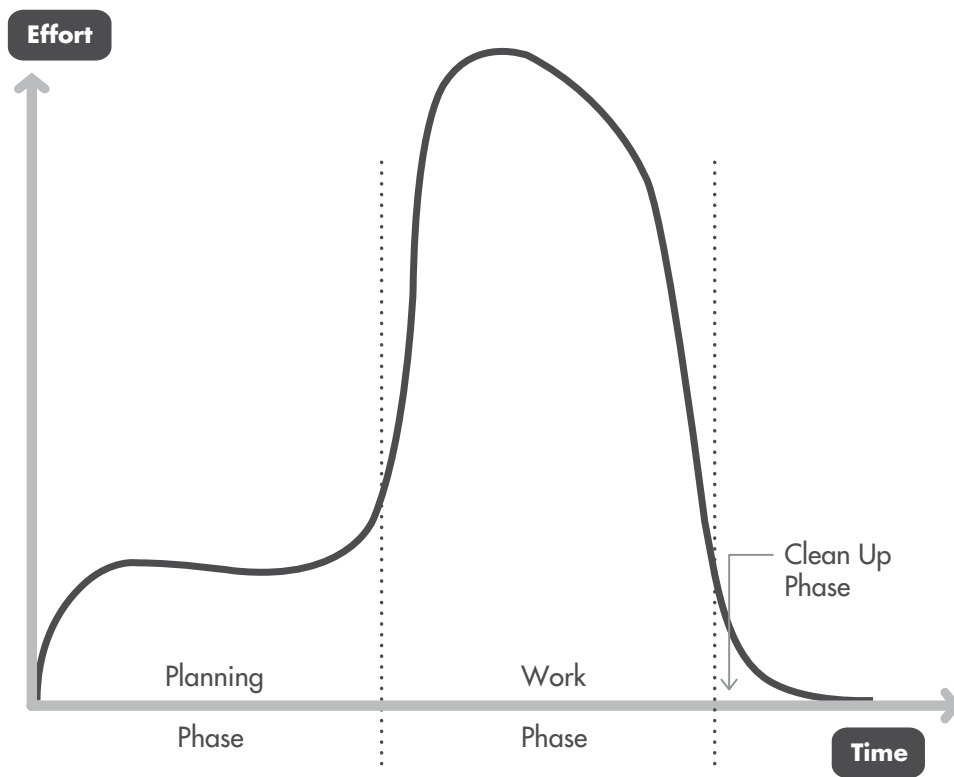


Figure 6-3: More Than Adequate Planning Graph



As the two graphs demonstrate, the amount of effort to complete the bulk of the change remains the same. However, the payoffs of more than adequate planning include the swift completion of the project and an overall lower cost of the project. Both of these occur because there is significantly less time spent on the clean-up phase. If you have ever been involved in any sort of construction project, you know from experience that the clean-up phase, known as the punch list, takes entirely too long, seeming to last forever! When people are involved in the clean-up phase, they do not have time to work on other things outside of the change project.

Work at Learning

Another reason that people in your organisation regress during change is due to inadequate memory. Answer these questions:

- What did you eat for lunch yesterday?
- How many e-mails did you respond to the day before yesterday?
- Where did you spend last Tuesday?
- Can you name three things you worked on last Thursday?

If you cannot provide accurate answers to all four questions, you have proven my point about inadequate memory. Each day you are like the ball in a game of professional ping pong. You are going back and forth, to and fro. All day you go from meeting to meeting, from e-mail to e-mail, all the while trying to juggle 15 ideas in your head and 33 to-dos that have to get done today!

Our brain only has a certain amount of bandwidth and we exceed its capacity nearly every day. Therefore, we forget things—some trivial and some vital! Learning is a core necessity for adapting to change, so you need to have a much better memory device. Our work causes us to be busy, thus hampering our ability to recall the immediate past, yet learning requires that we easily recall new information so it can be immediately applied. The plus or delta tool will enable you to recall the information in the form of learning that needs to be retained.

Keep Moving Forward

A third reason that the organisation's culture could get stuck in stasis is when the people leading the change fail to understand the causes of equilibrium. Force-field analysis reduces harm from the plateau effect because it describes the factors that contribute to the equilibrium and shows exactly what issues need to change so that forward progress takes place. You use a force-field analysis to make progress or get beyond a plateau. Often, with our busyness and natural resistance to new things, progress can hit a major roadblock called an impasse. People will get stuck and believe they are unable to make progress.

Change Agent Principles #57–59

Real, actual change is a consequence of the interaction of two sets of forces for and against.

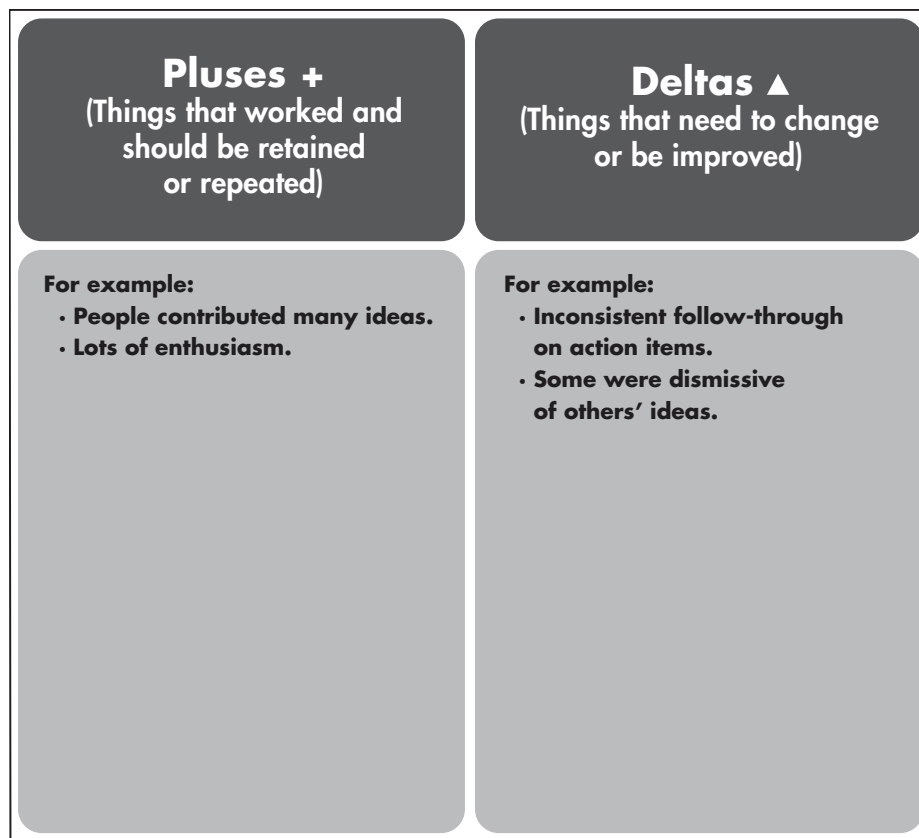
The natural tendency is to increase the push, but pushing against the resistance only increases it! Driving forces activate restraining forces.

An effective and easier method to create momentum is by reducing the resisting forces.

A *plus or delta analysis* is an excellent learning tool for every meeting and project. A plus or delta is a summary of things—actions, decisions, behaviours—that are worth repeating or retaining. It also isolates and places people’s attention on things—actions, decisions, behaviours—that need improving and addressing immediately. A plus or delta analysis spawns rapid improvements, shortens learning curves, and increases accountability.

The plus or delta analysis shown in figure 6-4 is an excellent learning tool for every aspect of change management, especially looking back to learn from the recent past. The plus or delta analysis is a summary of actions worth repeating, and actions that need improving. This analysis provides valuable insight on what to continue doing and what to improve. **Tool #41: Plus or Delta Analysis** provides a way of immediately identifying improvements and fostering learning at any phase of a change project. This vital change agent tool can be found in the downloadable content that accompanies this book.

Figure 6-4: Plus or Delta Tool Format



USING A FORCE-FIELD ANALYSIS

It would be nice if by merely thinking about what needs to improve in the team or organisation positive change happened as if by magic. Unfortunately that is not the case. Every organisation achieves a status quo that is uncomfortable, and despite the leaders’ best efforts to improve the situation, the status quo remains in place.

A *force-field analysis* is an influential development in the field of social science. It provides a framework for examining the factors that influence a situation. It looks at forces that are either driving or blocking movement

toward a goal. Developed by Kurt Lewin, the framework is a significant tool used in social science, psychology, social psychology, organisational development, process management, and change management.

The driving forces of change push the organisation toward changing, but that drive is not enough because those same driving forces activate restraining forces. The restraining forces of change push against change and block progress.

Equilibrium is the state where the driving and restraining forces equalise. The point of equilibrium creates an impasse or a status quo, which is the consequence of the interaction and stalemate of the two sets of opposing forces. Our natural tendency is to increase the push, but pushing against the resistance only increases it! Driving forces activate restraining forces. An effective and easier method to get past equilibrium is to reduce one or more of the resisting forces.

Tool #42: Force-Field Analysis is great for determining the causes of the status quo or the impasse that prevents progress is known as a force-field analysis. The depth of information from this analysis will specify the elements that are driving the organisation to change and also the elements that are resisting the change. By diagramming both forces and seeing how they create the status quo, the leaders can define specific actions to minimise the resistance. Forward progress will automatically result from reducing resistance. This vital change agent tool can be found in the downloadable content that accompanies this book. To demonstrate how this tool applies, you can understand its use by reading the case study where I apply it to Linda.

Case Study of Backsliding—Linda

Recall our fictitious case study characters Linda and Tony. Linda faces a regression in behaviours and creates a plan to address them.

Linda's Concern Over Backsliding

I arrived at the restaurant 35 minutes early. Linda found me at a table next to the window. At the surface, Linda appeared relaxed and did not seem to be in any hurry, but her laughter was a little forced, so I knew she had an unvoiced concern.

'As you know, the culture of Exemplar Mortgage is better off than it was three years ago. We now have more cooperation, greater productivity, and newfound enthusiasm. The new software allows us to handle more transactions at lower cost, and employees feel empowered, but...'

Letting her set the pace, I gave her an encouraging smile.

'I feel like we are going backwards... it's as if there is a ghost hanging around, like in Dickens's *Christmas Carol*. Scrooge felt Marley's intimidating and ominous presence.'

I asked, 'What is this ghost or presence you feel?'

'I dubbed it the ghost of Wilbur. Even though he has been gone for more than two years, I still feel his presence in our culture.'

I questioned her, then summarised, 'It sounds like the employees have forgotten him, but a few of your executives have not. Exemplar is experiencing backsliding, which is normal with any change. You should be concerned with how much regression people are going through, rather than the expected step backwards.'

She nodded in agreement. 'That sounds about right regarding the behaviours I am seeing'.

'One reason I believe this is an executive level problem is that in the most recent employee survey we conducted for you, employees describe you as an "influential leader", so the ghost of Wilbur, as you call it, hangs around the executive offices only'. I sat back in my chair.

'What should I do about it?' Linda threw up her hands in exasperation. 'This feels like one of the last remaining obstacles to fully implementing our new culture story'.

To help Linda relax, I told her a story from my experiences.

Story—Jumpstarting a Culture Shift

Mr. Garcia is a chief executive who was hired to salvage a troubled organisation and his intent was to make the company healthy as quickly as he could. This company suffered from low productivity, big losses, and stale products. Within the ranks, there was tremendous griping and negativity. Mr. Garcia felt the worst offence was that everyone had stopped taking risks, which resulted in a lack of creative thinking. Employees were stuck in the past, making the company decline while the rest of the industry was succeeding.

Before introducing any major change, Mr. Garcia took time to study the culture and to get the lay of the land, so to speak. He listened, studied, and noted his observations.

Mr. Garcia, having prior experience in a cultural change, knew that it could take as long as six years to completely change his firm's culture, but he felt this organisation did not have the luxury of time; if he did not turn things around soon, the company might be history. His first action in changing the culture was to fire the company's CFO, Wally.

From his observations, Mr. Garcia realised that Wally was a huge part of the stagnation problem. Wally was the executive most stuck in the past. Wally had an extremely negative attitude and resisted any fresh idea. He was, as Mr. Garcia described him, 'the vice president of no'.

Wally's firing sent a shock wave throughout the company, which was Mr. Garcia's intent, because Wally was one of the most tenured employees of the organisation. He was very entrenched in the old culture. Mr. Garcia knew that by terminating Wally, all employees would accept the seriousness of changing the organisation.

In less than two years, the organisation was vastly improved and starting to earn a profit. There was more creativity, better productivity, and more cooperation. The message that the termination of Wally sent was if one of the most senior employees' jobs is not sacred, then no one's job is sacred. Because numerous employees took their cue about acceptable behaviours from Wally, his firing would provide instant attention to the reality that everyone needed to improve their performance and buy into the new culture.

Although I do not recommend this approach, Mr. Garcia's example is one way to get the culture change implemented quickly, in less time than the normal six years.

However, despite this initial effort, many of the changes to the cultural norms that Mr. Garcia instituted were forgotten, once he took his attention off the culture change. He failed to watch for the inevitable backsliding, and because he was not timely in addressing it, employees returned to the old ways.

The executive who is unwilling to support any improvements to a company is more than a nuisance. Executives are visible influencers and role models for how employees should act and think. They can and will be a roadblock to successfully implementing change. Therefore, you must assess each leader's willingness to support and carry out the new culture. Offer to help them through the transition. If they still cannot be part of the new story, then realise they will need to be written out of the story.

Back to Linda

Linda paused to reflect on my tale. 'Yes, it is clear that a few of my team are acting like Wally. What do you suggest? I do not want to fire anyone unless it is absolutely necessary'.

'It is nearly time for your employee evaluation process, correct?' I reminded her.

'Yes and this time we are implementing the 360 degree evaluation of every executive and manager like you suggested. Some of them are mad because they feel employees' opinions should not have an impact on their raise or bonus'.

I paused for effect and then asked, 'Are these angry managers the same ones who seem to be holding onto Wilbur's ghost?'

She sat back and thought. 'Yes, in fact they are. You are right on target'.

'Here is what I suggest you do...'

Before we left, Linda created a three-part action plan for getting rid of Wilbur's ghost.

Linda's Action Plan for Change

Strategic Intent: Strengthen the cultural ideals and values that promote the following:

- The highest levels of excellence
- Exemplary service to all customers
- Interdependence and cooperation

Overall Objective:

Continue the positive improvements as we adopt our new culture by enabling the leadership team to support the new behaviours.

Obstacles to Overcome:

- Resistance to being evaluated by their peers and employees
- Unwillingness to become true leaders
- A reluctance to hold executives and managers accountable for growing their abilities and shifting their attitudes
- Inability to deal with managers who cling to the old culture

Major Action Steps:

1. Human Resources will conduct an evaluation of managers and executives using the 360 degree format.
2. Linda will conduct a feedback session with each member of her management team. She will provide her perspective first and then deliver a collated summary of employees' points of view about their performance.
3. Each team member must develop a personal leadership development plan. To help each person successfully complete this, I would spend a few hours coaching them. During this one-on-one time, I would assess their commitment to the new culture.

Consequence of Not Shifting

For anyone who is identified as attached to the status quo, Linda would give that person a choice: get coaching or resign.

Linda implemented her plan early the following week. Of the 11 members of her leadership team, there were 2 who were anchored in the past, hoping the company would go back to the good old days when Wilbur let them do what they wanted and they made tons of money. As planned, she held a heart-to-heart meeting with these 2. One executive decided to leave and the other manager agreed to undergo coaching.

TACTICS TO MINIMISE EMPLOYEE BACKSLIDING

Because employee behaviours and actions carry out the culture, they will inevitably engage in behaviours that contribute to backsliding. We have previously covered many reasons for that, such as discomfort, holding onto old habits, improper rewards that reinforce the status quo, and culture practices that deter learning.

Think about how often you regressed when adopting a new behaviour or getting rid of a bad habit. This experience did not cause you to give up; you simply increased your efforts and tried new tactics. Here are a group of tactics and two tools that decrease harmful regression. Adopt these tactics and tools early on in your change plan for a smooth and quick transformation.

Use Everyday Actions That Create Shifts

You will be surprised how much impact the little things have on employees' willingness to accept the confusion of change. The following sections represent some of the most common tactics to use to help create shifts from backsliding.

- *Be Excessive With Communication.* When employees know and can mentally process what is going on, there is less resistance. Never forget that employees have questions about where the organisation is headed. The following questions remind you to keep people informed:
 - Where is the organisation heading?
 - How will it get there?
 - What are the issues and problems?

-
- Is the leadership prepared to resolve the problems?
 - How does it affect me and my job?
 - Can I trust the information I am receiving?
 - Who can I turn to for honest, unfiltered information?
 - Keep this in mind: the more we know, the faster we grow.
- *Rally the Troops.* People will support a leader who gets them engaged in purposeful work. Therefore, from the moment the decision is made to institute a transformation and continuing until it permeates the culture, leaders need to serve as cheerleaders about the path and new destination. Remember, people support a leader who is excited about the journey.
 - *Speak Up About Your Concerns.* When the leader is very honest about his or her concerns regarding a change, it provides permission for employees to be open about their concerns. Openness leads to transparency, which leads to more openness. Even better, when the leaders instituting the change pay attention to employees' concerns, they know how to reduce stress levels. Allowing people to speak openly places more attention and energy on actions that move the group forward and less time is wasted on gossiping, worrying, and wallowing in confusion. Remember, if I know you are scared, too, I feel closer to you.
 - *Ask for Volunteers.* We have already covered in depth how to engage and enrol people in chapter 3, 'Focus Area #1—People'. The best way a leader can continue that effort is to ask for volunteers. Soon, courageous employees who answer your call will be demonstrating to others that the journey is not scary or detrimental. Throughout the transformation process, keep in mind that you will not know who is courageous until you ask for help.

Example: A New Role

Veronica, a CFO, needed her employee to change the way the general ledger was closed. The employee, Betty, was used to the old ways, but Veronica was under pressure to close in two days instead of the current seven. This transformation meant that Betty's duties would change significantly, and Veronica knew that Betty had resisted previous changes in her job duties.

Veronica discussed at length Betty's new role and responsibilities. As expected, Betty had a hundred reasons why it would not work. Using the wisdom about courage, Veronica told Betty, 'Let's try this out for two months. If after that you still feel this won't work, you can take back many of the closing tasks you are doing now'.

Veronica later told me, 'When the two months were up, I asked Betty if she wanted to go back to the way it was when Betty put in 3 10-hour days in order to get the close done on time. Betty told me firmly, "No way! I like this! I don't have to work as hard and things are simplified"'. Veronica explained, 'She was hesitant at first, but once Betty got her feet wet, she dove right in. Thereafter, Betty was very open to other changes we instituted to get to a 2-day close'.

- *Celebrate.* As you already know, making change happen is hard work for everyone involved. To counteract this, be sure to build in both scheduled and unplanned celebrations in your journey. Celebrations allow people to relax, let go of stress, and relate to one another on a personal level. Celebrations allow people's brains to create new neural pathways faster because of the fun factor. When people are having fun, their focus gets sharper and they stay mentally alert.

Improve Performance Evaluations

In chapters 3 and 4, ‘Focus Area #2—Culture’, you learned that the best way to get people to change is to place an emphasis on learning. However, most performance evaluations are based on employee knowledge and behaviour in the recent past and not on what they need to know and do after the change is completed. **Tool #43: Learning Curve Evaluation** will help you overcome that disconnect. This vital change agent tool can be found in the downloadable content that accompanies this book. As you study this tool, notice that it emphasises where the employee is or should be on a specific learning curve.

Quite often, an employee and the supervisor will disagree on how the employee is rated regarding performance. The employee believes he or she exceeds standards, but the boss believes the employee is merely meeting standards. If the supervisor cannot fully explain the reason for this rating in concrete terms, this gap leads to hurt feelings and fuels mistrust. Improving performance evaluations can remove that issue from the evaluation process and foster honest communication and stronger bonds of trust.

Use the 21-Day Rule

The 21-day rule is a method of doing, saying, thinking, or being something for 21 days to make the new ‘thing’ a habit. The 21-day rule supports how your brain works and is a much applied rule. Your brain is flexible and can change in accordance with what you perceive as highly important. It can adapt to new neural patterns and within a short amount of time you will experience a mental shift. You probably will not recognise it at first because this sort of shift works from the inside out. Do not be fooled by the simplicity of **Tool #44: The 21-Day Rule**. It serves to remind you that people always need time to make a mental shift. By providing that time, their brains adjust to the change. This vital change agent tool can be found in the downloadable content that accompanies this book.

The 21-day rule is so powerful that I recommend you start using it as soon as you know that something needs to change. The patterns we consistently repeat, over a period of 21 days, become neurologically programmed. In this time period, you are writing new programmes into your wonderful brain, you are just unconscious of this process.

As a rule, when you perform a new activity for 21 days in a row, you create a habit or a mental ritual with so much energy put into it that it makes a new neural pathway in your brain. The point of this rule must not be overlooked. Our brains need time to adjust to something new and often different.

Example: Karen’s New Role

If you say to an employee, ‘Karen, today you will take over Carol’s job’, I can guarantee that nothing good will follow that declaration!

However, if you have a chat with Karen 30 days before the change gets implemented, and continue an ongoing dialogue over her concerns and the new responsibilities each day leading up to the change, something almost magical happens. By the end of the third week, Karen, through her neural patterns, will have projected herself in the new role, so when she starts doing Carol’s job, she will have some measure of familiarity. Karen will be likely to embrace the change and get past any discomfort in less than 30 days.

CHANGE AGENT TOOLS TO MINIMISE YOUR OWN BACKSLIDING

Moving forward is the most important thing you can do. For your personal growth you must focus forward rather than looking back. To overcome your obstacles and frustrations, it helps to have a plan. Imagine you are taking a trip across Europe, starting in England and visiting the major cities of each country. You do not have an itinerary or reservations. Now imagine the same European trip, only this time you have an itinerary that describes where you will be on what date. It lists your reserved transportation and lodging, along with suggestions for sightseeing and dining.

What would this trip be like when compared to the first? Which of the two scenarios would mean less stress on you, the traveller?

Most would respond, 'The second scenario'. You can face up to the challenges of change with a plan or without one, it is your choice. In this example, having a plan to guide you reduces your stress level, and when you are less worried, you can be present in the moment, see the reality of the situation, and draw energy from knowing what you are doing. Therefore, it is in your best interest, as an emerging master of change, to have at your disposal two action plans for change **Tool #45: Personal Action Plan for Growth and Development** for your career and **Tool #46: Formalised Action Plan** for the change you are currently working on. These vital change agent tools can be found in the downloadable content that accompanies this book. To demonstrate how these tools apply, you can understand their use by reading the case studies where Tony uses them frequently to make the necessary changes happen.

Change Agent Principle #60

The master change agent creates an environment where others can succeed, which contributes to the change agent's personal success.

Case Study of an Action Plan for Change—Tony

Recall our fictitious case study characters Linda and Tony. Tony uses the action plan as his commitment to transform himself into a chief operating officer (COO).

Tony's Desire for a Promotion

I looked out over the city. New towering buildings, transformed neighbourhoods, and improvements in public transportation were evident. 'Change is good!' I thought as I waited for Tony.

Tony said, 'I always hoped that I could move from accounting to operations and now I may get that opportunity'.

'That is great news. Did Jocelyn agree to your proposal?'

'Mostly. She told me that if I am willing to take on more responsibility and delegate more, she will consider me as a candidate for the COO position'.

‘Excellent. Remember how I’ve urged you to be assertive? I believe Jocelyn prefers a take charge, can-do attitude’.

‘You were correct. She said, “I originally thought of you for the COO position, but you never expressed interest, so I dropped you from my list of potential candidates”’.

‘How much time do you have and what does she believe you need to work on?’

‘Our current COO, Virgil, will retire officially at the end of January, though he has not told anyone except Jocelyn. That gives me less than six months to prove to her and Virgil that I can do the job. Virgil said he is willing to mentor me, if I can spend one to two hours a day with him and Carol’.

‘That is a lot of time considering how many hours you put in now’, I warned.

Tony crossed his arms over his chest and looked down. ‘That is what kept me awake for the last couple of nights. I fluctuate between the adrenaline of excitement and a stomach-ache from fear that I am not ready’.

‘Relax! I have the perfect tool for you. We can figure out how you can get this all done within that time frame. What do you need to be promoted to COO?’ I asked.

Requirements for Promotion

He said, ‘First, I need to develop Rosella’s skills and get her to take on much of my finance duties. Second, Jocelyn wants me to help her update our strategic plan for the next three years. Finally, Virgil wants me to master the production planning system’.

My eyebrows rose several centimetres. ‘That is a tall order. Are you willing to take on all that?’

‘I guess I have to’.

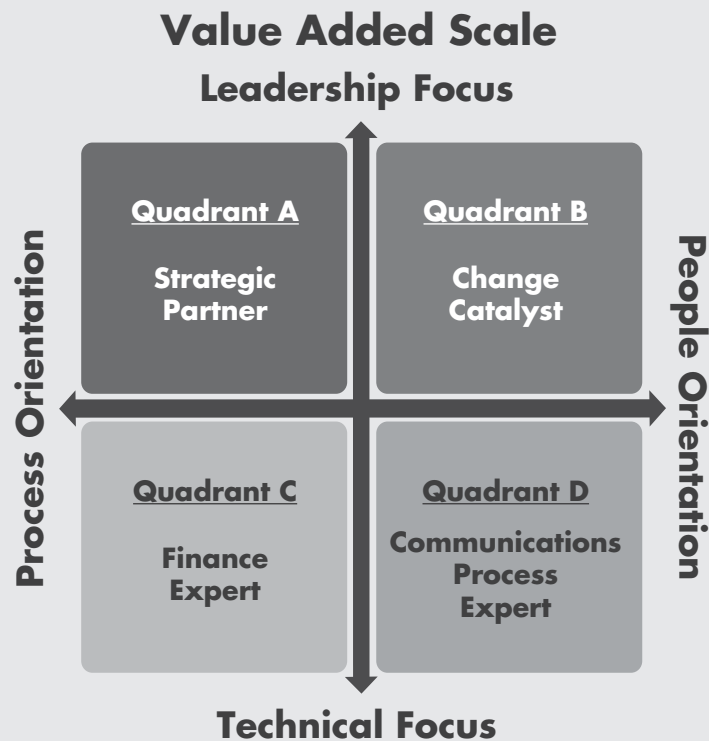
‘You didn’t answer my question. Please listen. Are you willing to take this on?’ That stopped him. His eyes showed a hint of panic. Thinking that he might feel I was scolding, I explained, ‘You said “I have to”, I am asking you if you want to.’

‘Before you answer, allow me to provide some context for this question. As it stands now, you have a strong, reliable team behind you. You recruited and trained Rosella, and she has proven that she is capable of taking on more. You transformed the purchasing group and now they are a capable, self-managed team. You helped Jocelyn master the intricacies of a manufacturing business, and you are her go-to guy for problem solving. Lastly, you earned the respect of every person on the management team. Those are all great accomplishments’. Despite what I told him, Tony still had a look of vulnerability, but he nodded in a way that told me he half-heartedly agreed with my assessment.

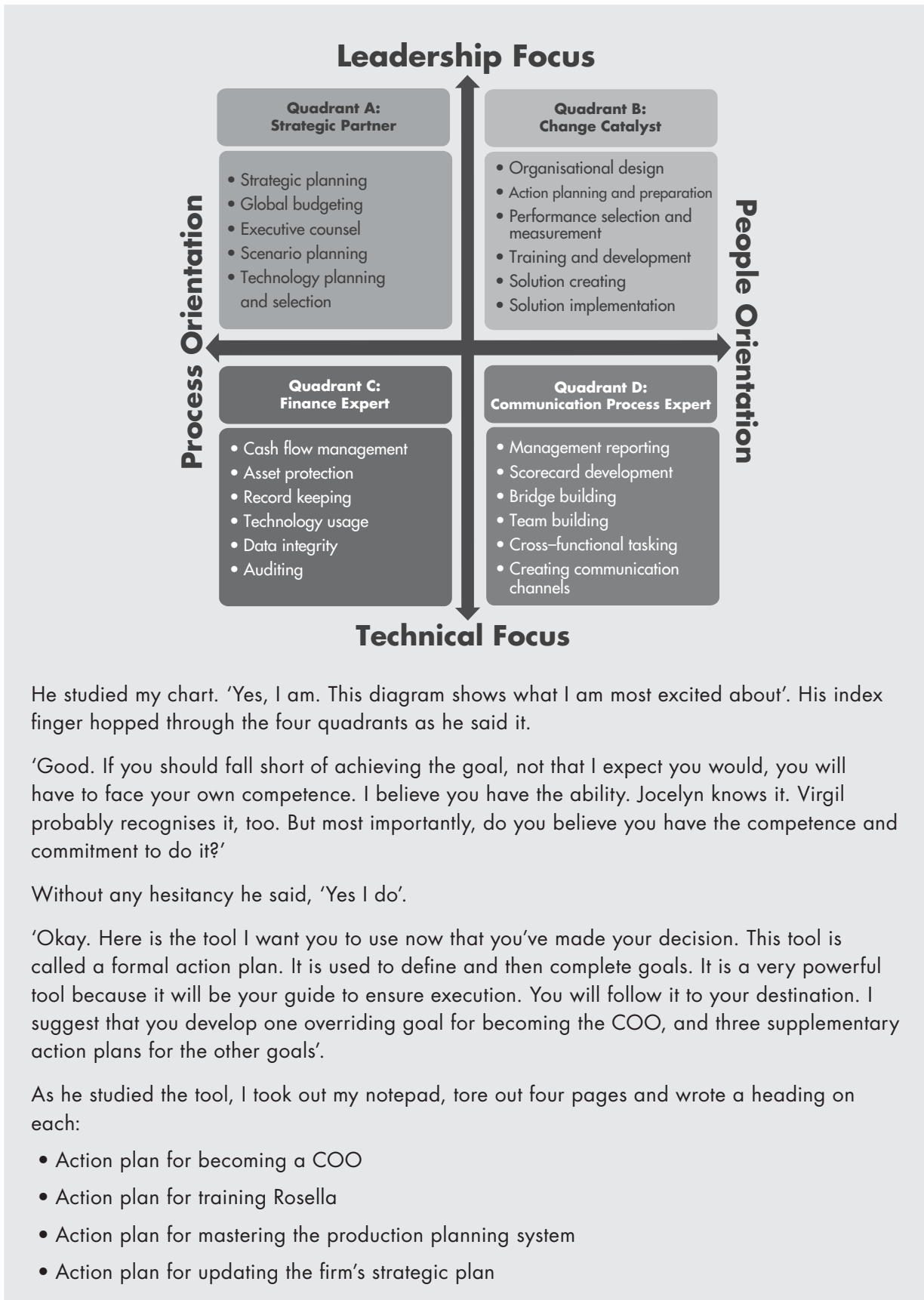
Value Added Scale for Accounting Leadership

'Ergo, you have a track record of turning every problem you faced into a win. You grew from a technician and a firefighter into a leader in less than three years, and you have shifted on this value added scale'. I showed Tony the following matrix.

Value Added Scale



'When we started working together you were a typical management accountant. That places you here'. I pointed to quadrant A. 'Then you shifted to here'. I pointed to quadrant B. 'Currently you are here in the change agency quadrant. Jocelyn is asking if you are willing to move into quadrant D, that of a strategic thinker. What I am asking is this. Because she believes that you are capable, are you willing to move into that role? Are you willing to shift from here to there?' I moved my finger from quadrant C to D.



I handed the sheets to Tony and said, 'Let's get to work'. Over the next few hours, we brainstormed what he needed to accomplish to reach the secondary goals that would lead to his overarching goal.

For brevity, I am only showing one of the action plans that Tony developed.

Tony's Action Plan for Change

Action Plan to Train Rosella for CFO Role

Strategic Intent: Improve the management team so the chief executive can spend more time on marketing and being strategic and less time focusing on daily operations

Specific Goal: Replace myself with a highly qualified employee who can serve as a capable CFO

Major Steps:

1. Update position description for CFO.
2. Create a list of duties that can be delegate immediately and later.
3. Develop a learning curve evaluation for Rosella and conduct monthly evaluations.
4. Dedicate three to five hours a week to work with Rosella.
5. Give Rosella a skills assessment (based on the CFO position description) to establish her baseline skills. Use this in the learning curve evaluation.
6. Provide outside coaching to assist Rosella in enhancing leadership skills.
7. Develop a position description for assistant controller role.
8. Interview candidates for assistant controller position.
9. Assist Rosella in hiring her replacement, in the form of an assistant controller.

Obstacles:

- Having enough time to spend with Rosella while keeping up with my present and future duties
- Rosella having the time to train her replacement and obtain coaching while carrying out her regular duties
- Finding the right person for the assistant controller position, someone who can supervise existing staff and fit into the team's culture
- Letting other things interfere with my priorities

Risks:

- Losing Rosella due to burnout
- Not finding the right person for assistant controller position

When we were done, I congratulated Tony. I examined Tony's work and we spent a few minutes refining the action plans.

Is It Worth It?

Tony asked, 'It takes a long time to write these action plans. Is it worth the time?'

‘From experience, the time it takes to write an action plan, between two and six hours, will pay for itself right away. Without it, the employees involved in the effort could spend days trying to figure out what to do and who should do it. By outlining communication and co-ordination up front, you save the time and frustration.’

‘Who usually writes the action plan?’

‘It is co-developed by the sponsor, lead change agent, and champion.’

‘You mentioned that this tool fosters greater accountability. Can you explain how that works?’

‘Think about how often you have heard these excuses:

- I didn’t know I was supposed to do that.
- I forgot.
- It wasn’t a priority so I didn’t get to it.
- What did we decide to do?
- My notes from the meeting are different than that.

All these excuses show a lack of clarity and commitment to do what was expected. The formal action plan establishes expectations from the onset of the project or goal. It also specifies who is responsible for each task. No one can get away with those excuses.

‘It would be in your best interest to get these details filled in. Your challenge will be getting Rosella up to speed so she can take on some of your current workload. That will give you time to spend with Virgil and Carol. After that, mastering the production system will help you develop a realistic strategic plan faster.’

‘This will mean I need to work very long hours’. Tony’s smile disappeared.

I responded, ‘Yes and no. Manage your time properly and be sure to relax when the opportunity presents itself. Before you start doing something new, ask yourself, “Will this task move me close to reaching these goals?” If the answer is “no”, then you must find someone in the company who can take on that task so you can focus on the action plan’.

His Assignment

Tony committed to accomplishing the following before our next meeting:

1. Completely flesh out each action plan
2. Send to Ron for final review
3. Submit to Jocelyn for acceptance
4. Once Jocelyn signs off on the plans, get Virgil and Rosella involved and obtain their buy-in and support

FINALLY

Recall from chapter 2, ‘The Change Agent’s Package’ and again in chapter 4, ‘Focus Area #2—Culture,’ the eight unique skillsets that enable you to become an independent minded problem solver as change agent:

1. Practise personal brand management
2. Practise Teflon®-coated mental toughness
3. Practise being a fortune teller
4. Engage in possibility thinking
5. Put the good old days in perspective
6. Know how to discern assumptions
7. Know how to change and shape a culture
8. Advise senior level people on the need to change the culture

Now that you have studied these eight skillsets and the drivers that underpin the skillsets for the master change agent throughout this book, review your final personal development tool, **Tool #47: Change Agent Skills Assessment**, and assess which of these skillsets you may need to work on as you strive to become a master change agent. This vital change agent tool can be found in the downloadable content that accompanies this book.

Changing something for the better is not the ending, but instead a beginning. Making an improvement sets up a chain of reactions in which backsliding can easily occur, but as a master of change, you anticipate the plateau effect and develop a plan to address the backsliding so that it does not stop the progress you are working hard to make.

Regressing back to the way things were before the change is inevitable and must be anticipated. People return to their old habits, processes do not stay improved, and, of course, the culture can go back to the unsatisfactory past. It would be wonderful if you only had to launch an improvement and it would reach its own forward momentum, thus sustaining itself until the desirable end point is reached, but that is not how business and life work. To paraphrase the one and only John Lennon, ‘Life is what happens when you are busy making plans’.

You can do all the planning you want and unpleasant things will happen. The confidence to deal with life’s randomness is the biggest payoff from being comfortable and applying the tools in this chapter. When you use these instruments in all the change work, you commence a self-perpetuating cycle. Confidence begets confidence and momentum begets momentum. It is as simple as that.

One thing that will help you prepare for backsliding is to incorporate natural law 52 (found in the final chapter) and anticipate and think about the unknowns into everything that you do as both a leader and a master change agent.



7

A NEW BEGINNING: YOUR FINAL STEPS

I will end where we began: your first lesson about change management.

Natural Law of Change #1

Change happens; it is what you do with it that makes you important.

Helping your employer to be aware of the nature of changes and transformations, and helping your employer react to often painful transitions effectively, will be one of the most important roles that a management accountant can play for the next three or four decades.

This means that you will have unlimited opportunity to show off that you are now a masterful agent of positive change. You may have started this book by defining yourself as an average certified accountant. I hope that by now you have shifted this way of defining yourself into taking on a much broader role in your organisation.

This chapter is built on the assumption that you know or sense there is more to you than being a bean counter and you too have a drive to make things better.

Change always starts from within us, then it appears to come at you from the outside. To accept the external imperative to change, we must invite the change back inside, where it was birthed. There is no other way. This is the circle of change. Ron Rael

GO FORTH AND MAKE CHANGE A WONDERFUL EVENT

With this assumption in mind, I send you on your journey with words of advice and inspiration.

The Dandelion

I playfully cursed this weed earlier in this book, but a dandelion is actually a magnificent plant, which can be a memorable metaphor for managing and experiencing change. A dandelion has three basic parts: the flower, the leaves, and the root. Change has specific parts to it, too. From the outset, undergoing a major transformation can be seen as distasteful. However, you learned that there are many valuable benefits to be derived from its various parts, all of which help the individual and organisation to survive the chaos and then flourish after the transformation.

A dandelion illustrates the benefits of each phase of change. In the spring, as the dandelion begins to show its beauty, the flowers are at their best. In the summer, when the leaves of the dandelion are growing rapidly, people put its leaves in salads and other dishes. They say that part of the plant tastes best during the summertime.

In the fall, when the roots of the dandelion are experiencing rapid growth in order to survive the cold winter, people who use dandelion roots in their recipes say that the roots are at their best during this time of the year.

You might say, 'I would never eat a dandelion because it's a dreadful weed'. Although that may be true, there is still a connection between this magnificent plant and change. People may tell you, 'I refuse to go through this change because what you are asking me to do is distasteful'. When you hear this complaint, I suggest you relate this story of the dandelion to help them understand that as they undergo each aspect of the transformation, there is something valuable to be derived from each phase, no matter how chaotic, distasteful, or disrupting it may be.

When you carefully manage each aspect of a change, the conditions and the people will be better off having gone through the transitions.

Weeding Your Own Garden

I used the story of having to weed my garden as a device to explain culture and why it is important to manage one in order to foster a change-friendly team and organisation. I found another parallel between a garden and one's ability to effectively manage change.

A dear friend of mine, Ann, is a whiz on gardens and horticulture. Ann explained why it is vital for me to manage my garden differently based upon the season in order for it to prosper. She said, 'Your garden has a different intention in each season, and if you don't pay attention to this you can harm the plants'.

She advised me, 'Fall is generally the best time to prune plants so they can save their energy for winter. Planting in mid spring is best, yet it's a delicate choice. If you put them in the ground too early and it gets cold, the plant will suffer. However, if you wait until late spring, it may warm up too quickly and the plant might not have its roots established. The plant will wither'.

Ann let me know that winter is a very important season for my garden because that is when it becomes dormant. She advised that, 'It is in this time of year that many of the plants do their best work in terms of coming back to life and being ready when spring arrives'.

As Ann was explaining this, I received a wonderful insight as it relates to your organisation's approach to managing change, which I turned into our next dose of reality regarding change management.

Natural Law of Change #52

When implementing change, there is a time or a season that requires a different way of managing it and the people involved.

You are committed to becoming a change-friendly organisation, which will drastically change the culture. In the early part of this transformation, you will plant seeds by creating a vision and intention, by using the 21-day rule, and by opening up channels of unfiltered communications with employees about what to expect. You

fertilise these seeds by teaching people these tools and helping them understand what the change is all about. You establish support structures such as metrics, feedback loops, and rewards.

After your seeds are well-established and they start growing, the intense work of making the transformation possible begins. Just like in a garden's growth period of late spring and early summer, this is when a bulk of peoples' time and energy is devoted to the real work of change. However, many of these roots you planted are still tender and delicate. You will need to nurture them by adding more nourishment and support, then your urgency for change will need to slow down a bit. You will see the need to prune back elements of the culture changes that are not working. You will need to focus on those areas that need reinforcement and attention.

Finally, just as a garden needs winter to restore itself, your company will need a period of rest for employees to catch their breath, experience what the new culture is like, and gear up for the next major change effort.

Managing the overall change plan in the organisation is like managing a garden. There is a time or season for planting and nurturing. There is a time for emphasising and pushing growth and learning. There is a time to pause and examine what has taken root and perhaps recalibrate your expectations. Finally, there is a time to rest, recover, celebrate, and enjoy the fruits of the seeds you planted. During this rest period you help the organisation get ready for the next level of growth and improvement.

Just like a garden, change requires both active attention and patience along with a commitment to take it through its four seasons successfully. You will face many roadblocks as you travel your journey, many of which I have offered tools to overcome. However, your most difficult obstacles will be self-made.

OVERCOMING YOUR ROADBLOCKS

Whenever I am coaching an emerging change agent, I remind her or him that becoming a good change agent is not easy. You will experience obstacles in your path that seem at first to be insurmountable. Knowing what they are in advance will help you gain the confidence to face and overcome them.

The Obstacles in Your Path

I frequently see how frustrated many of you are at being unable to have the impact that you desire. The roadblocks you face most often include

- the organisation's culture;
- the organisation's executives;
- your boss;
- the free-wheeling seat-of-the-pants owner;
- your training;
- your previous experiences;
- a lack of a role model; and
- your team (or lack of one).

The reason I say these are self-created obstacles has to do with the mistaken belief that you cannot do anything about them.

Avoiding the Falsehoods That Management Accountants Believe Are True

The following self-imposed beliefs have become outdated paradigms, yet they are the pain you feel as you start your journey:

- I cannot overcome the problems created by our culture or change the way it is.
- I cannot change my boss, my company's executives, or the free-wheeling entrepreneur I work for.
- I lack the training or experience to be a good change agent.
- I lack a role model that will show me the right thing to do.
- I don't have a team that can help me make the changes I want to make

All of these excuses are not true unless you believe them to be true. Ergo, once you stop believing in the paradigm, it stops being a roadblock to your success as a change agent. Regardless of your starting point in your personal development journey, this information will help you become what you desire to be. You wonder, 'Why does he say that?'

You Can Do It

I know that you have the talent, desire, and ability to become a great change agent! I am confident of this because you chose this book to learn from and because these specific obstacles are ones that every change agent faces. Each one is a test of your commitment and dedication to make things better. These are not really obstacles, they are just the dues that you must pay to be an effective change agent. It will be through your talents and abilities to make things better, and most importantly, the newly acquired insights that enable you to know what to do when you face each one.

Throughout the book are tools to tackle each obstacle. Now that you know what you need to do, you will see that they are not obstacles at all, but simply bumps in the road that may slow you down for a time. Remember, this book is written for you and about you. When you finish it you will know you are a capable change agent. You will feel confident about what tools to use and how to apply them. Now that you are enlightened about how to be a catalyst for positive change, remember to fulfil your destiny. It is up to you!

The two best tools that you can use to overcome your self-appointed obstacles are a force-field analysis (tool 42) and a formalised action plan (tool 46), found in chapter 6, 'How to Prevent Backsliding'.

Case Study of a Force-Field Analysis—Linda

Recall our fictitious case study characters Linda and Tony. Linda addresses the integration of a very different culture using a force-field analysis tool.

A New Beginning With Another Merger

We met to discuss Linda's next dilemma.

When I entered Linda's office, I noticed a new sign on the wall. It contained three words: autonomy, mastery, and relevance.

Studying it for a minute, I said to Linda, 'Is that from Daniel Pink's book?'

'Yes', she said. 'I read his book *Drive* last month and he explained that to be successful in today's environment, this is the path to inspiring employees. The old carrot-and-stick approach to obtaining engagement and the "I am the boss" attitude no longer work when leading an organisation. Because these three principles mesh well with what I believe, we adopted it as our cornerstone for the future of Exemplar Mortgage.'

'Wonderful. I like it', I said, 'Now tell me what this means to you, Linda.'

'Ron, we are about to sign the deal for the acquisition of two smaller mortgage companies. One is a lender and one is merely a mortgage conduit. We made an offer to their owner and it's been accepted. My concern is that the culture of these companies is extremely different than ours and the quicker that we can meld their culture into ours, the better off we will be. It won't be as neat and clean as the last merger'. Linda continued, 'From what my due diligence team has observed, the owner and her management group treated employees like dirt. She made no attempt to make her employees feel important or allow them to think for themselves. Maybe that is why they were never profitable. According to Daniel Pink's philosophy, the way to get employees engaged is to give them autonomy over their job, encourage mastery through training and opportunities to grow and learn, and, of course, to provide relevance so that each employee feels they contribute to the mission of the organisation. She failed to do any of that'.

'From my interpretation of Daniel Pink's philosophy, I agree with that'.

'So here is my challenge. Financially we will make out okay. She is practically giving us her companies so the price is right, but as you told me, the second way to blow up a merger is to screw up the culture integration. Because our cultures are so different, I know we will face big culture integration issues, so I need a plan. The sooner we address them the better. What tool can we use to help their employees fit into our culture quickly?'

'I suggest that you use the force-field analysis tool'. We applied the tool to the culture issues that needed solutions.

Linda's Force-Field Analysis

The following is the draft version of what Linda created that day.

FORCE-FIELD ANALYSIS

This tool will show the actions necessary to break out of status quo.

Step 1: Select the area that needs addressing.

In our efforts to accomplish

a unified culture based on accountability, autonomy, mastery, and relevance

we seem to be stuck at

the inability to integrate employees who are ingrained in a culture that is fear-based and goes against autonomy, mastery, and relevance.

Driving Forces	Resisting Forces
Integration of the two companies' systems must be done in under 60 days, due to target's failing IT system	Employees who (most likely) will resist being asked to be accountable, autonomous, and master new skills
Desire to retain all employees of both companies	Target's existing culture story is based on fear and lowers employee's morale
Need to quickly improve managers' and supervisors' abilities to lead and manage	Managers (from target) who may not accept EM's way of leading people
Need to have the target's employees adopt EM's employee-friendly culture	Target has outdated record keeping and process systems that waste time and money
The sooner the target's employees adapt to a paperless system, the sooner EM can produce a profit	Target has established culture that is not at all aligned with the EM story
Need to retain all of target's customers and referral partners in order for deal to make economic sense	Target's employees will likely resist and be reluctant to use a paperless processing system until trained

Step 5: Place the resisting forces in strength or urgency order.

Priority

- 1 Employees' resistance to a paperless processing system until trained
(short-term issue)
- 2 Employees' resistance to being accountable, autonomous, and master new skills
(short-term issue)
- 3 Outdated recordkeeping and process systems that waste time and money
(short-term issue)
- 4 Managers' reluctance to accept EM's way of leading people
(medium-term issue)
- 5 Existing culture story based on fear, which lowers employees' morale
(long-term issue)
- 6 Established culture that is not at all aligned with the EM culture
(long-term issue)

Using the tool, Linda identified specific actions that would ensure that the culture integration happens as smoothly as possible.

Linda's Action Plan for Change

These are excerpts from the plan that Linda's team developed from the force-field analysis we completed.

Action Item #1: Integrate New Employees Immediately

The employees from the merging company will be treated as new employees and get training on Exemplar's systems and process starting on day one. The tools Linda will use include a formal structured on-the-job training programme (which at the time did not exist) and mentorship of each new employee.

Action Item #2: Indoctrinate the New Employees Into the Business Model

Linda's management team will explain from day one how Exemplar's paperless system works and as they do this, assess the skills of each new employee to see where they fit. Using the position description (PD) tool we gave Exemplar, each new employee will have their own PD created by the end of 30 days. Then, based upon their role in the organisation, these new employees will be plugged into ongoing strategic action plans that are already under way.

Action Item #3: Evaluate the Skills and Attitudes of the New Managers

Because Exemplar will be inheriting leaders that are used to another way of managing, Linda's executive team needs to determine if the merging company's manager is able to operate under the Exemplar way. The tools that will be used include a PD (for each new manager) and employee feedback.

Action Item #4: Increase the Frequency of Employee Feedback

Linda's company currently conducts an employee survey every six months. For the next year, that will be done every three months. This move enables their management team to spot attitudinal trends much faster, especially those regarding how employees feel about the merger.

Action Item #5: Hold Monthly All-Hands Meetings

Linda's executives will show their presence and the importance of Exemplar's culture by holding monthly meetings of all employees where they will explain aspects of Exemplar's ideals. Employees will be quizzed on the culture story and relate stories of how the story is being enacted. Along with these meetings, the new employees will be trained on the ideal employee tool.

Action Item #6: Form a Culture Squad

Linda will appoint a cross functional team to address all gaps between the two cultures and then develop a solution, using tactics such as training and other ways to get everyone on the same page. The team will consist of employees from both organisations.

End the Day

Linda was overly worried that she was not doing all that she could to improve Exemplar's culture and future prospects. I pointed out how far the company had come since she started. I reminded her about the behaviour improvements I had witnessed in her team. I also reminded her about how satisfied the shareholders were.

Linda said, 'I guess I get so caught up in what is not working and what needs to be done, that I lose sight of what I have accomplished'.

I responded, 'This is universally true for most change agents. We all want to make things better and this can cause us to forget what we have achieved'.

I made this suggestion. 'Linda, at least once a day, write down something that you are proud to have accomplished. It can be something you did that day, that week, or over a period of time. Pause and reflect about how much better things are because of the change'. She agreed to do that.

Natural Law of Change #53

It is easy to forget how many improvements you have made. This is natural and normal.

Not the End of Linda's Story

We have come to the end of Linda's story as it relates to this book. Exemplar Mortgage will continue to change and evolve as a result of having a master change agent in the chief executive's chair. Knowing Linda, as I do, there will be many more challenges and transitions as she strives to make Exemplar the best organisation it can be.

You also have the desire to help your team and organisation to reach its full potential. By following Linda's example of seeking counsel and continually moving forward, you will become a high-level master of change.

WHAT IS YOUR NEXT STEP?

Every beginning is the end of something old and every ending is the beginning of something new. You are ready to make a new beginning, and it starts with a step back into your own story.

Once a change agent succeeds in producing fruitful results, there is no limit on what he or she can accomplish. You will discover, as I have, that the mountains you are tasked with moving only get bigger and bigger. Armed with the 47 tools you have now added to your toolkit, each mountain moves faster and easier.

Not the End of Your Story

No matter how much experience you have as an agent of change, there is more work and plenty of opportunity ahead for you. In effect, your story is just beginning. As we come to the end of this book, you now have an ocean of knowledge regarding the overall change process and how transformation takes place in individuals and organisations. More importantly, you have access to a plethora of tools. You will find many areas in your life where you can apply these tools to make things better. It would be a shame for you to do nothing with the information you have acquired. To encourage you to act upon your newfound wisdom, I offer three specific suggestions. The first is an overall attitude that ensures that you will act as a catalyst for change. The second is a reminder about a theme mentioned throughout this book: no matter what your title may be, you are a leader. The last one is a reminder to capitalise on your inherent credibility. Working together will enable you to overcome the self-induced roadblocks I mentioned earlier.

Tony discovered his next step, or mountain, that needed to be moved.

Case Study of Preventing the Peter Principle—Tony

Recall our fictitious case study characters Linda and Tony. Tony achieves his goal of moving beyond accounting.

A New Beginning With a Promotion and a Meeting With a Surprise

To my surprise, Jocelyn had joined Tony for our next coaching session. Because this was a personal and confidential meeting between Tony and me, I was little surprised that Tony had invited his boss.

Tony then said, 'There will be one more guest joining us, then I can tell you what's going on'. Just then, another man approached and Tony said, 'Ron I would like to introduce you to Virgil Sampson. He is our chief operating officer (COO)'.

As Virgil sat down, Jocelyn said, 'Ron, I would like to apologise for crashing your lunch with Tony. When we met this morning and Tony informed me about this meeting, I asked if Virgil and I could join him. He said it would be fine'.

'I am glad you could both join us. I can tell that you have something important to discuss'.

Jocelyn said, 'Actually, I have two reasons for attending this meeting. First, I want to thank you for your assistance with Tony. He has proven to be a valuable employee and member of my team. I told him this morning that the COO job is his. He has convinced Virgil and me that he is ready to take over Virgil's chair whenever he wants to'.

Jocelyn continued. 'I also want to ask if you would be willing to help us change our management structure. It has been working okay up until now, but something has come up and we need to revisit it. Tony, can you explain to Ron what is going on at Clear Water Better Coffee Company?'

Tony summarised, 'It appears that our current sales executive has reached his Peter Principle and needs to leave. However, he is unaware of this. My idea is to not replace him. Jocelyn would take on the role of leading our sales group'.

Jocelyn further added, 'My chief executive duties are relatively easy now that I have a good team in place. I can fulfil the two roles. By doing this I feel I can expand our brand and get much closer to our larger corporate customers'. Tony and Jocelyn took turns explaining their vision of this new management structure. Tony would be the COO and Jocelyn would hire an administrative manager who would partner with Rosetta to handle all the back of the office aspects of the business.

At that moment I knew that Jocelyn had not considered Carol's feelings in her restructuring plans. I wondered to myself how Carol was reacting to Tony spending so much time learning Virgil's job. 'She might assume the job is hers'. I made a mental note to bring up this sensitive issue when the time was right.

Virgil added, 'I would like to stay on in a non-management job part-time. I told Jocelyn that I can work in any capacity. I like to stay busy'.

Jocelyn then took over the conversation. 'I know a couple of places where Virgil could fit. I prefer a flat management structure. It would be a six-person leadership team of me, Tony, Rosella, the administrative manager, Carol, and Beverly (their director of human resources). This would be the group that runs the company for the next couple of years. We can revisit this after we grow, which I plan to do. Do you think you can help us find the best way to do this?'

'Of course, but I have one concern', I looked squarely at Jocelyn. 'Have you thought about Carol?'

In her eyes I could tell she hadn't. 'Carol might be assuming that she will take Virgil's place. Do you know her career goals? Even if she wants to stay the production manager, how will she feel when she finds out that the new kid on the block is her new boss? Will her employees think she got snubbed and lose respect for her or for Tony?'

Jocelyn looked to Virgil for an answer but he remained quiet, signifying the decision was all hers. 'I have to admit, I haven't thought about all of those questions. Clearly, I need your guidance'.

'I strongly suggest you hold off on making an announcement until after you have talked with Carol and we discuss all the possible impacts of this new management structure'.

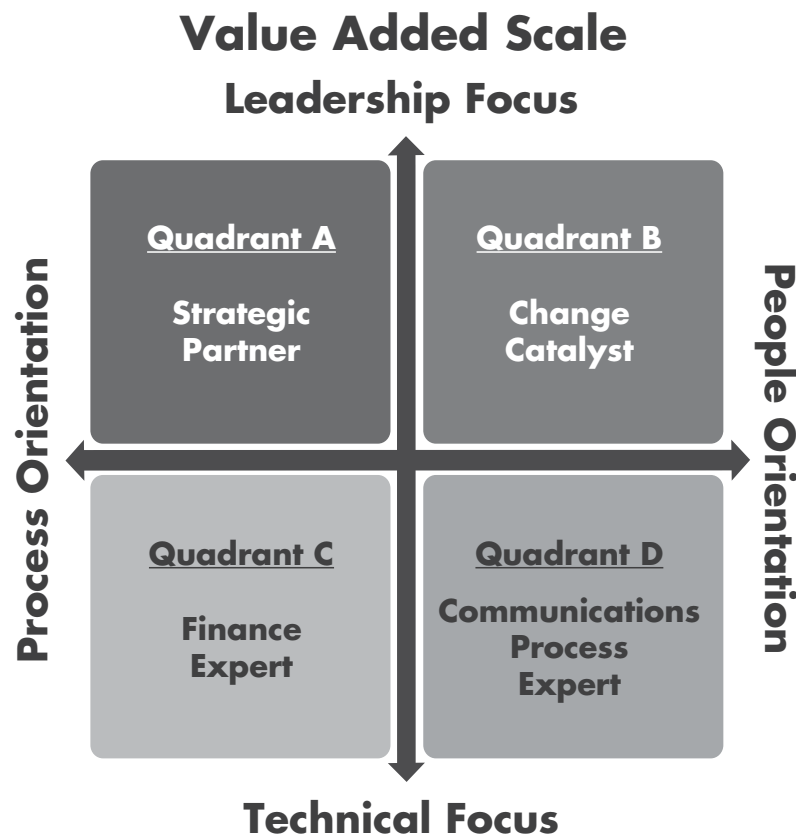
'I can see the value in that'. I could feel her embarrassment, but she needed to hear this.

After lunch, Tony and I continued his coaching session at his office.

Not the End of Tony's Story

So as you can already guess, Tony's growth as a change agent will continue as he and his employer face new challenges. Tony's story must end for now. Tony continues to be an asset to his organisation and has decided to embark on a change programme to make the production process lean, creating higher profits. Tony made this decision without asking Jocelyn for permission! I am in awe of the work he has done, which transformed him from a technically oriented accountant to a mid-level change agent. Tony is taking a path that will turn him into a strategic master of change. This is represented as quadrant D in figure 7-1.

Figure 7-1: Value Added Scale



Remember Your New Motto: If It Is to Be, It Is Up to Me

I learned this axiom early in my career and it has served me well. I am unable to credit its source because I heard it from many different people in various forms. It is the ultimate statement of accountability and commitment for a true leader. Now that you have successfully reached the end of this book, you have some idea of what you want to accomplish. However, the only way that it will get done is for you to fully commit to doing it. This is where the motto needs to help you.

Remember: The Change Agent Is First and Foremost a Leader

Your employer has lingering painful problems that are not getting resolved. As the change agent, you may be the logical choice and most qualified person they can rely on to help them get rid of their pain. You understand

how the business operates, you understand how the finances work, and you understand the key players. One of the most rewarding aspects of the job of the master change agent is to be regarded as the resource that employees think of first when they need a solution that they are unable to develop or create.

Natural Law of Leadership

A great leader empowers others and then lights the way so that their followers can find their own path to dig themselves out of the holes they put themselves in.

Define yourself as an adviser to others in the organisation. A good change agent best serves his or her client when he or she enables others to craft their own solution, one that instils accountability for those involved. In order to do this effectively, you must know your intentions and ensure that others trust that you have their best interests at heart.

Remember: You Are in Sales to the Chief Executive

As an agent for change, you want to set the conditions so that when you talk about what needs to get done, people listen to you and take your advice seriously. They act upon your words. This section will provide you with suggestions on how to use this credibility. Much of your credibility comes from your credentials, and the rest comes from your experiences and accomplishments. You will definitely need this when you face selling your ideas to a typical entrepreneur. You also will rely on credibility when it comes to managing people's expectations. This serves as a reminder of how crucial your credibility is. It is also the final piece of the training.

Using Your Credibility in Service to the Chief Executive

You will spend time and energy attempting to convince people about the worth and validity of your solutions to their pain. This requires you to have tremendous credibility. Remember, your role is that of an expert who is tasked with solving a specific problem or cleaning up a distasteful mess. As a catalyst, you will need to recruit the help and support of others that you may not supervise or work with on a daily basis. Therefore, the art of convincing others about the value of your ideas is of utmost importance to you. When you speak, VIPs will listen. Being heard and believed by the most important person in any organisation is of utmost importance to you, because you are the catalyst for change.

Let us engage in a brief summary of the person who will sponsor you to lead the change effort. Understanding this person's mind-set will enable you to do a good job of selling your ideas to that person. Always remember that you are most likely selling your ideas to a person that is an eternal optimist. Part of your overall strategy for convincing a chief executive or entrepreneur on the validity of your ideas is to meld your suggestions into their ideas, so that this person feels that he or she thought of the solution.

Mind-Set of the Risk-Taking Entrepreneur

Selling your ideas to someone that is a strategic thinker and chronic risk taker requires you to speak in terms of what could take place instead of what cannot happen. These folks are visionaries and they do not like people to diminish their dreams. When you speak about the real world, the risk-taker does not care about reality. When you talk about what cannot be done, this person disbelieves you because he or she truly thinks that anything is possible. This person focuses on what can occur and closes himself or herself off from what cannot occur. This person wants to focus on a vision, but does not sweat the details of how to make the impossible possible. Therefore, the way to use your credibility is to also speak his or her language of possibilities.

Most entrepreneurs and business owners see themselves as the type of person who put their heads down and charge full steam ahead. However, a person like that can badly injure themselves with that mind-set. This person does not avoid risk, but ignores it at every opportunity. This person fails to recognise that failure is an option, and this is why risk can be mismanaged or unacknowledged. This attitude is quite often the source of many of the pains within their organisation. Those controllers I just described want credible people around them. This means that convincing a business owner, or anyone who is a chronic risk taker, requires you to speak in terms of possibilities.

Example: Mr. Johnson, Your Chief Executive

Your change project is to make an accounting department more productive and reduce the time it takes for them to issue reports (from seven days to three). You have done this before and now you must convince Mr. Johnson to support you and to understand the hard work that needs to occur to make this happen.

Wrong approach: 'Mr. Johnson, I know how to bring this accounting team up to a higher level of productivity. Within six weeks I will be able to reassign responsibilities, modernise the information flow, help people understand their jobs better, and get your reports out faster.'

Before you finish saying this, Mr. Johnson's eyes have glazed over and his mind has moved on to the next thing. Your mistake was to speak about how you would do it.

Right approach: 'Mr. Johnson, within three months you will have reports on your desk that not only highlight what is working, but that also identify specific problem areas. These reports will be so easy to read that you can identify the major trends in seconds.'

Mr. Johnson will then ask you some questions. 'Are you sure you can do this? What is this going to cost us in terms of time, money, and confusion?' Now, you can have a meaningful dialogue with Mr. Johnson about the shifts and improvements that need to be made.

In the first scenario, you did not speak Mr. Johnson's language of what is possible. In the second scenario, when you painted a picture of the future to Mr. Johnson's liking, you had his full attention so that you could inform him about resources needed to make it happen.

What Your Chief Executive Wants of You

I have studied and worked with all sorts of chief executives for over 30 years. I can summarise what the chief executive wants from you and offer suggestions about what to do with this insight:

- Chief executives want their chartered accountant to speak their language. What does the chief executive speak about? How can you adapt what you do so you are on the same page?
- Chief executives want their chartered accountants to be in command of the data about the company's woes. What are the problems? How can you make them visible through your reports?
- Chief executives want their management team members to help connect the dots for employees to understand how their actions and decisions affect the company. Does the information you now provide enable managers and others to show these vital connections? What needs to change so it does?
- Chief executives always have a top-of-the-line agenda. Always! What is it? How can you assist the chief executive in making it happen?
- Chief executives hate silo thinking because it detracts employees from being focused on the customer. What are you doing to get rid of the silos that you encounter?

Example: Domino's Pizza

The chief executive of Domino's Pizza is credited with constantly reminding Domino's employees, 'If you do not make it, bake it, or take it, then you better align yourself with somebody who does or we do not need you'.

What this statement tells me is that employees in finance, as well as other support functions, must be able to partner with one of the three major drivers of the business:

- The 'make it' people are the groups that develop, produce, and test your firm's services.
- The 'bake it' people are the production groups that create your firm's products and services.
- The 'take it' people are the groups that actually sell or deliver the company's products or services to your customers.

This means that if you fail to align yourself and fully support one of the three major drivers of your business, then you are seen as not adding value.

What can you do to change that?

Chief Executives Want Their Company Filled With A Players

To a C-level executive, in a typical organisation there are three classifications of employees:

- The A players are your company's star performers. These are the professionals who come to work every day and not only do their best, but they consistently exceed expectations. These are the people that the chief executive knows he or she can always rely on.
- The B players are your average performers whom the chief executive can count on, but they often do not go above the norm. They are reliable, yet the chief executive knows that there is more that they can contribute.
- The C players are those that perform below average. These are employees who just do the bare minimum. The chief executive knows he or she cannot always count on them to do what needs to get done. C players generally create about 80 per cent of your employee challenges.

When your company is in trouble, who do you think leaves first? Your A players will leave first because they always have opportunities and are in demand in other places. In times of trouble, you may lose some B players, but all your C players will remain. Over time your organisation will be filled with only C players. However, your company needs A players in order to succeed! How does the chief executive see you? Are you an A player, B player, or a C player? Are you doing your best to retain the A players on your team?

You always want to be seen as an A player!

CLOSING WORDS OF ADVICE

You are now ready to be a very masterful agent of positive change. Become an A player. You will need to prove to people that you are a driver of change and a capable person who is unwilling to put up with unsatisfactory status quo. To demonstrate that you are ready to do this revered work, I provide you with concluding pearls

of wisdom. They are saved for the end because they would not have made sense to you until this point in your growth.

Proof 1: The first is my signature list of clues:

7½ Ways to Know That You Have Become a True Change Agent

1. You are invited to sit at the executive's table.
2. You are sought out for your opinion on company issues.
3. You are asked to speak on change at company meetings.
4. An emerging change agent asks you to mentor her.
5. You see a struggling leader and you offer to coach him without asking for anything in return.
6. A recruiter calls unexpectedly with an offer to be the one to help out a struggling company.
7. Your company's chief executive wants you to take some responsibilities off of her desk so she can spend more time on the golf course or travelling.

Most important of all,

7½ Your opinions influence others even when you are not in the room.

Proof 2: The second way to prove you are ready is our final lesson about great leadership.

Natural Law of Leadership

Leadership is not just about being in charge, it is about taking charge.

One effective way to gain acceptance of your positive attitude toward change is to show it in your daily actions. Doing this consistently will enhance your reputation as being dependable, a change agent leader, and an A player.

Proof 3: The third method is through these penultimate realities about change. Keep them in mind in your change work.

Natural Laws of Change #54–58

All life moves in cycles. It is these cycles that give meaning to life. Life is a cycle, as is everything in it. Life's cycle is to and fro, together and apart, chaos and order.

Changing conditions create changing truth. Truth is nothing more than a word meaning 'what is so right now'. However, what exists right now is always changing, therefore truth is always changing. Truth is life. Therefore, truth is change.

All life is a process. It is a process called change or, better yet, evolution.

When you honour the conditions of your life you change them.

Self-creation of a person, process, system, and a culture never ends.

Go Forth and Lead the Way

You have the tools, the knowledge, and the abilities. I know you will be successful as you plant seeds of change in all aspects of your life. Take the time to carefully work through the challenges of the human factor. Celebrate successes. Recruit others to help you. Be persistent. Take the time to reflect how far you have come.

Each day you are planting seeds of positive change in your garden and cultivating them by doing the work. You will see and experience some of the things that grow from what you plant. Some of the things that grow from the seeds, you will not see. Just know that you are doing what you are called to do. The world is better off because of what you do.

Now you understand the true meaning of this leadership motto and our final law.

Natural Law of Change #59

Every true leader and change agent carries in his or her head a statement about personal accountability. Each time a leader or agent encounters something that needs improving or altering, he or she does not waste time looking for someone to fix it. Instead he or she becomes involved because of this motto: If it is to be, it is up to me.