the
Change
Equation™

by Nick Petrie

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the Change Equation™

We asked 300 managers to identify their greatest leadership challenge. One stood out above all others: *How to Lead Change.*

Managers told us that their organizations were trying to implement multiple changes simultaneously: business models, revenue streams, systems, cultures. Yet most felt that their organizations were not particularly skilled at change. According to our research on 1,188 changes,
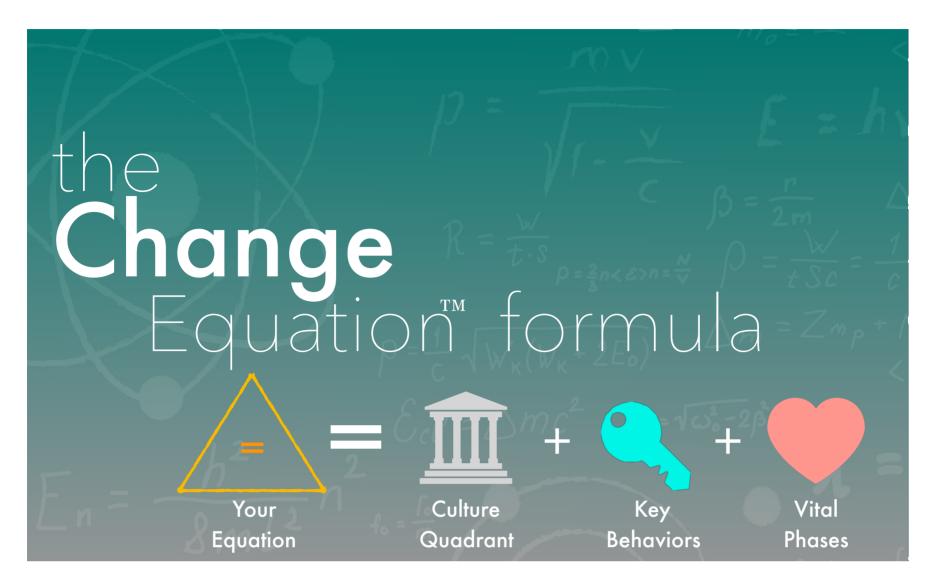
60% of organizational changes *fail.*

Surely, a 60% failure rate could be improved. If you think about the massive amount of time, energy and money spent on these changes, even a 10% improvement could have a significant impact. **But what if you could get a 30% improvement?**

Eighteen months ago, our research team partnered with 11 organizations and analyzed 1,188 changes at the team, departmental, and organizational level. Our goal was to help each organization answer the following questions:

- **Did their organization's most successful changes share common patterns that their leaders could emulate?**

- **Did the organization's change failures share common patterns that their leaders could avoid in the future?**

- **Were there predictable traps that their leaders fell into?**

- **In sum, were there patterns in their data that suggested how leaders could lead change in a way that was faster, easier, less expensive, and more successful?**

The answer to all four questions was "yes." We learned that there were no universal change behaviors that led to success in all organizations. Each organization was unique, and different patterns worked in different companies. We call the sum of these patterns an organization's Change Equation.

the **Change** Equation™ formula

Your Equation = Culture Quadrant + Key Behaviors + Vital Phases

Companies like Google understand that success leaves clues so they analyze the patterns of their most effective managers (Project Oxygen) and most successful teams (Project Aristotle). They then share these success patterns with other leaders so that the successful DNA gets spread throughout the organization.

Similarly, the Change Equation helps you see the Change Leadership DNA that works best in your organization and spreads that to more and more managers. Our analysis identified three key factors in particular about a company's DNA that leaders should understand:

- *The **Culture Quadrant** describing your culture's change preferences*

- *The **Key Leader Behaviors** associated with successful change in your organization*

- *The **Right time** and **Right order** to enact those behaviors*

We call this the organization's Change Equation.

The Change Equation helps organizations find the company-specific change leadership approach that best fits your specific culture. It won't guarantee your leaders success on every project, but it will give them an edge. And if they are already competent leaders, an extra edge is probably all they need.

Nick Petrie

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What's missing from our Current Approach to Change?

To begin, our team conducted a review of the research on how to lead change. We found many different models, but nearly all had a common element: a one-size-fits-all, generic approach to change. This suggests that it doesn't matter whether you are a small tech start up in Silicon Valley or a 100-year-old law firm in Washington, D.C., the way to lead change is the same in both organizations. If you follow these 4 or 8 steps, you should be successful.

This struck us as odd. All of our clients were so different from each other, and each had vastly different cultures. Some had consensus-driven cultures while others were cutthroat. Some were centrally controlled from headquarters and others operated like independent fiefdoms. It seemed unlikely that there would be no difference in how to lead change in these vastly different cultures.

This led to our initial hypotheses:

1. *Each organization is unique and has its own Change Equation - a change leadership approach that best fits its culture.*
2. *This culture-specific approach when applied increases the: speed, efficiency, and success of a change.*

We suspected that organizations could save bundles of time and millions of dollars if leaders could learn to lead change in alignment with what works in their culture. This matters because based on the viewpoint of the 1,188 employees across all organizational levels that we surveyed, organizations are implementing lots of changes… *poorly.*

Question:
Changes Frequently Occurred in the Organization?

80%   **20%**
YES   **NO**

Question:
Organization had a History of Skillfully Navigating Change?
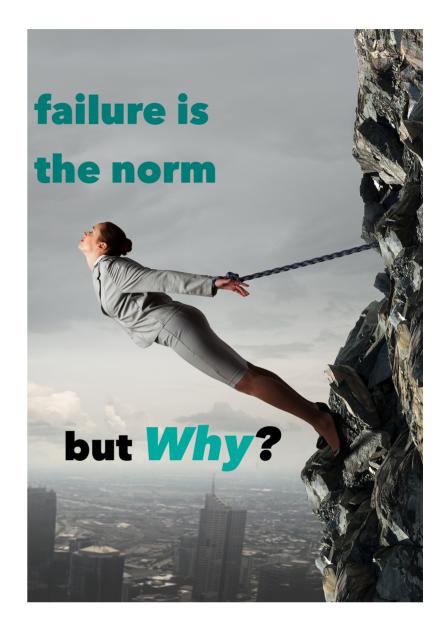
34%   **66%**
YES   **NO**

Most Organizational Changes are Failing

We asked employees to evaluate changes in their organization based on 4 success/failure criteria (achieved its desired outcomes, was executed on schedule, was sustained over time, helped develop new change capabilities for the future).

Organizational changes had a **60% Failure** Rate.
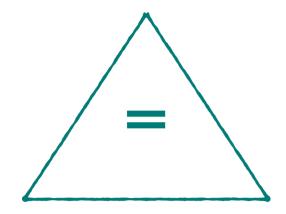
failure is the norm

but *Why*?

People Know Change is Needed but Don't Feel Prepared To Make It Happen.

71% said the organization faced external conditions that were pushing it to change.

Our Research Revealed

39% said they were ready to embrace change.

Nearly everyone felt that their environment required them to change but few felt staff were ready for it.

What happens when people don't feel ready to enact a change?

It usually ends up playing out something like this:

"We absolutely must change!"

"But we're not ready to change."

"*Because we aren't good at change."*

"So let's not go through that again."

"I agree, we have to do things differently…"

"It's not likely to work…"

"Just look at the last two times we tried…"

"I'll keep my head down, stay out of the way, and this, too, shall pass."

If you are a leader who has struggled to lead a change initiative in the last few years, take comfort—you are not alone. Leading change in organizations can feel like pushing a boulder up a hill into a headwind. Given this perhaps we should be a little easier on our leaders. Better yet, what if we could provide them with their own Change Equation which showed what buttons to push, what levers to pull, and when to do both?

Searching for the *Change Equation™*

To understand how an organization could create a change approach specific to its culture, we began by identifying all the behaviors (and conditions) which might determine the success or failure of a change initiative. Based on the literature, we uncovered 49 leadership behaviors said to produce successful change. This seemed a little excessive to us. How could a leader navigate through a complex change initiative and keep track of 49 behaviors at the same time?
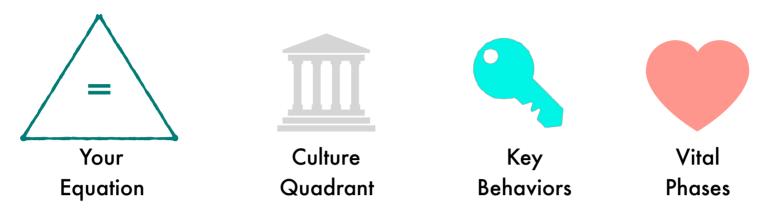
Thankfully, our clients weren't looking for a long, generic list of behaviors that applied in other people's companies. They wanted to know the vital few behaviors that mattered most in theirs.

After careful analysis, we found it wasn't necessary to focus on all 49, and it could even be counterproductive. Our analysis of 11 organizations and 1,180 changes mentioned at the beginning of this paper allowed us to distill those 49 behaviors into a list of behaviors associated with change success in each organization and a second list associated with change failure.

That analysis, in turn, led to the creation of the three factors of *your **Change Equation***.

1. The ***Culture Quadrant*** describing your culture's change preferences
2. The ***Key Behaviors*** associated with successful change in your organization
3. The ***Right time*** and ***Right order*** or ***Vital Phases*** to enact those behaviors

Now let's look at each and how you can *apply* them:

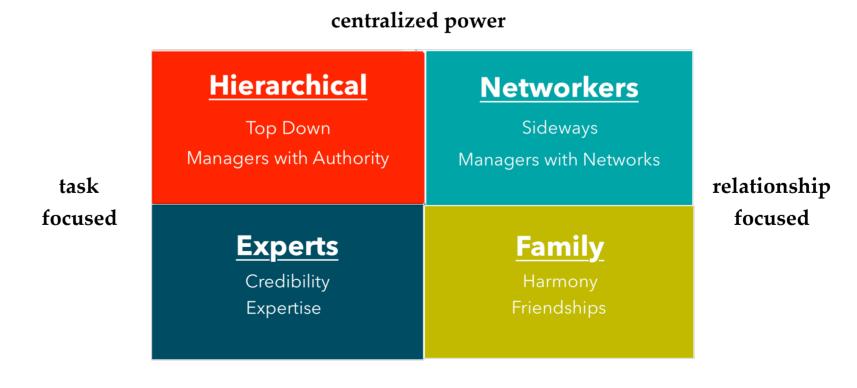| Your Equation	Culture Quadrant	Key Behaviors	Vital Phases

Factor 1: Your Culture Quadrant

All companies have a dominant culture which influences what will work best when leading a change. When you lead change in a way that is out of synch with your culture type you face greater resistance and expend more energy, time, and money than is necessary (and you'll probably still fail). As we studied different organizational cultures, we found that they grouped into four types.

Four Organizational Cultures

centralized power

Hierarchical Top Down Managers with Authority	**Networkers** Sideways Managers with Networks
Experts Credibility Expertise	**Family** Harmony Friendships

task focused   relationship focused

decentralized power

1. Hierarchical cultures:

Power and decision-making is concentrated at the top. Change is generally decided by powerful senior leaders and cascaded down. Staff value giving input but eventually want and expect clear direction from managers about the direction and plans for the change. Leaders who do not provide clear guidance lose credibility and the likelihood of change success is seriously compromised. *Change key:* the greatest predictor of change success in a hierarchical culture is *CLARITY* of communication from senior leaders. *Example:* Many traditional corporations

2. Networker cultures:

The work gets done through relationships and who you know. The best change leaders are those managers who are: trusting, collaborative and builders of wide and deep networks. Command and control leaders are neither followed nor respected. *Change key:* the greatest predictor of change success in a networker culture is *Open COLLABORATION* among senior stakeholders. *Example:* Many matrixed organizations and large, family-held businesses.

3. Expert cultures:

Change is supported or blocked by the 'smartest people in the room'. This might be the brilliant engineer or the legendary rainmaker who gives a thumbs up or thumbs down to the change. Any change initiative that cannot be logically laid out on the table and defended will be defeated (or ignored). *Change key:* the greatest predictor of change success in an expert culture is *LOGIC and rigor* of the case for change. *Example:* Many tech companies and law firms

4. Family cultures:

In these organizations, people have significant autonomy over how much they will commit to a change. Change succeeds when people feel involved and part of a movement with people they like. Creating emotional bonds is critical. Managers who try to force through change in a cold, task-oriented way will turn around to find no one standing behind them. *Change key:* the greatest predictor of change success in a family culture is *CONSULTATION* and community building before the change. *Example:* Many non-profits and academic institutions, some tech companies

Of course no company fits completely into one category and different sub-cultures do exist. However, helping your leaders understand the dominant culture preferences provides many with a big wake-up call about why their current style isn't meshing. Below are examples of two companies from our research. One is a manufacturing company which leaned strongly to a top left (hierarchical) culture and the other is a tech company which belongs in the bottom right (family). Consider how different effective change leadership might look in each based on their distinct cultures.

Centralized Power

65%

Formal leaders or managers determine and delegate tasks to others to accomplish change.

15%

Formal leaders or managers use their network of informal relationships to initiate and accomplish change.

Task Focused

Relationship Focused

People follow those with the most expertise or competence to complete the tasks needed to accomplish change.

People with the best reputations and biggest networks use their influence to accomplish change.

13%

7%

Decentralized Power

The first edge you can provide your leaders (especially new ones) is identifying which culture quadrant they are operating in.

Centralized Power

20%

Formal leaders or managers determine and delegate tasks to others to accomplish change.

11%

Formal leaders or managers use their network of informal relationships to initiate and accomplish change.

Task Focused

Relationship Focused

People follow those with the most expertise or competence to complete the tasks needed to accomplish change.

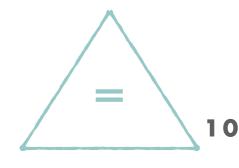**People with the best reputations and biggest networks use their influence to accomplish change.**

11%

58%

Decentralized Power

Which quadrant do you think best reflects the culture of your organization?

=

Lesson for Leaders: Be a Chameleon not a Zebra

Many managers we meet have developed an approach for leading change which they carry with them through different organizations and even industries. These are the zebras who never change their stripes. Our research suggests this is a big mistake. We have all met the manager who won't stop telling everyone, "Well, when I worked at G.E. we always…" The message should be clear. You don't work at G.E. anymore…you work here! Our culture is very different, and that is why your leadership style is bombing!

The most vivid example I saw of this happened when I was working in Qatar. A company I worked with had spent two years headhunting some of the world's best talent from very famous western companies. The executives had upended their lives and relocated their families to Qatar. What very few of them did, however, was learn about their new Qatar work culture – very top right, relationship focused. These leaders from urgent, task-obsessed cultures (left side quadrants) would pound their fists on the table in meetings and yell at their colleagues. To my western eyes it wasn't that extreme, but I knew they were in trouble. Within two years all but one had been fired.

Our research and interviews show that the best managers are more likely to lead like chameleons. They don't change who they are, but they do adjust their approach to fit the culture. Your leaders might have amazing talent, but if they don't know how to lead change in a way that fits the culture, they risk their: projects, reputation, and potentially their careers.

The **Change Equation** can show them how.

Factor 2: Key Behaviors We found that there were no universal change behaviors that led to success in all organizations. Actions that created support in one culture (listening sessions by executives) triggered cynicism and resistance in others. Each organization is unique and has its own DNA. You have to know what works in YOUR culture. The second step in the Change Equation shows you the 7-9 behaviors most associated with change success in your organization.

To illustrate, let's return to the manufacturing and tech companies discussed earlier. After analyzing over seventy changes in each organization we were able to identify the seven leadership behaviors that most differentiated successful from failed changes in each organization. As you can see in the chart below, each company generated a very different list.

In the manufacturing company (a hierarchical culture) change tended to succeed when leaders 'led from the front' and created **CLARITY** around the change. In the tech company (a family culture) change tended to succeed when leaders 'led from the side', using a **PARTNERSHIP** approach. Leaders don't have time to get good at everything and the good news is they don't need to. When you show busy leaders which behaviors matter most you help them lead in ways that are more efficient (less time) and more effective (better results). This is exactly the sort of help most leaders are looking for from their HR and business partners.

MANUFACTURING COMPANY (Hierarchical)	TECHNOLOGY COMPANY (Family)
1) The proposed change was clearly understood by people in the organization	1) The proposed change was implemented in a way that aligned with organizational values & culture
2) Leaders of the change maintained a focus on the change through its completion	2) Leaders of the change partnered with people to get them onboard
3) The proposed change made it clear what actions employees needed to take	3) Implementers felt they had sufficient resources to carry out the change
4) People who would enact the change felt the change would succeed	4) The proposed change had widespread support.
5) The proposed change had a clear end goal	5) Leaders of the change focused on changing mindsets not just behaviors
6) The proposed change included adjustments to necessary systems and processes	6) People who would enact the change were consulted early in the process
7) People who would enact the change had a clear understanding of how the change would take place	7) People felt empowered to figure out how to implement the change at their level.
Best Approach: Lead from the Front Create Clarity and Confidence	**Best Approach: Lead from the Side** Create Partnership and Empowerment

Factor 3: ♥ Vital Phases

The third edge you can give your leaders helps them see the logical order in which to do their key leadership behaviors. We identified 4 Vital Phases with different key behaviors taking place in each. Let's look at each of the stages.

The Four Vital Phases of Change

1) **Change selection:** The type of change that leaders decide to enact has a massive impact on the likelihood of its success. The critical factor in selecting the right change initiative is this: does the initiative have the support of the people who will implement it? Our research showed that change initiatives that were initially supported by the majority of staff had a 63% rate of success while those that did not had only a 33% success rate. Leaders should think carefully <u>prior</u> to launch about how broad and deep support is for the proposed change. If support is low you will need to execute everything else about the change flawlessly.

2) **Pre-communication**: How much and how clearly leaders communicate <u>before</u> the change begins is a critical element of success. Many leaders think this means that they need to <u>tell</u> people about the change. In fact, we found the most successful changes were driven by leaders who spent less time talking and more time asking questions and carefully listening to those who would directly implement the change. These are the leaders who built the strongest front-end support for change and who identified potential roadblocks to success. This stage is about helping stakeholders make sense of the change and thus increasing the likelihood of their support. This happens through dialogue, not speeches.

3) **Barrier removal**: While good change leaders may look outwardly positive we found the best to be productively paranoid about what could derail their project. They are vigilant about monitoring and addressing systems, processes, staff anxieties, and anything else that could cause the change to falter. They also make sure that the right resources are available to the right people throughout the change process. The best leaders understood that change can be unsettling in the best of circumstances and once it becomes too uncomfortable or distressing, staff will begin to distance themselves from it.

4) **Implementation**: Most leaders focus massive amounts of time, energy, and resources on this phase without realizing that their project might already be seriously crippled due to neglect of the previous three phases. Implementation should be a continuation of the first three phases with an increasing emphasis on leaders modeling the right behaviors and empowering staff to hold each other accountable for change success. However, the most important success factor we uncovered in our research was how well the change team <u>adjusted its approach</u> based on early feedback and results. Successful teams tended to adjust constantly, whereas those teams that failed tended to stay the wrong course too long – until it was too late.

Lesson for Leaders:
Prepare the Ground First

Last spring I felt inspired by a neighbor who had a magnificent vegetable garden to plant one myself. I researched the best vegetables for the Austin climate and bought my seeds. I planted them at the right time, watered them every day, and watched them closely. Six weeks later not a thing had broken through. Confused, I dug up the soil and discovered that everything had died. Slightly embarrassed, I asked my neighbor what had happened.

"How did you prepare the soil?" he asked.

"Umm, I didn't," I said. *"I assumed that if the seeds were right, and I watered every day, I didn't need to."*

It was a dumb mistake. But also one we see leaders continuously make on change projects. Leaders tend to over-focus on implementation plans and under-focus on gathering supporters. In other words they rely too much on the seed and not enough on the soil. In our research we found:

- A change had a 63% success rate when people initially supported the change
- A change had a 33% success rate when people initially resisted the change

What should leaders do to win early support for their change? Most managers assume they need to win over change resistors, but research by Julie Battilana and Tiziana Casciaro shows that Resistors are perhaps the least important group to focus on (since they probably won't change their mind anyway). The groups to win over in order of importance are:

1. Fence-sitters: they aren't supporters yet but could be easily swayed

2. Supporters: these people will join the cause but just need a little encouragement

3. Resistors: you probably won't change their mind – but they might change yours

Implication: Most of the problems which show up during implementation (phase 4) are really just symptoms of earlier phases being skipped over. Gather the support of fence-sitters before you begin. Prepare the ground so you are not planting your change seeds into barren soil.

The **Change** Equation™

shows an organization which phases their 7–9 key behaviors occur in and therefore which phases are most important to get right. The 2 tables below show that in the manufacturing company what leaders do <u>before</u> the change is implemented is critical, regardless of how well they implement. In contrast, in the tech company the leader's actions <u>during</u> the implementation phase are critical. When leaders do the right behaviors at the right time, they tilt the odds heavily in their favor.

Manufacturing Company:

Change Selection	Pre-Communication	Barrier Removal	Implementation
The proposed change had a clear end goal	The proposed change was clearly understood by the people in the organization	The proposed change included adjustments to necessary systems and processes	
People who would enact the change felt the change would succeed	The proposed change made it clear what actions employees needed to take		
The proposed change had widespread support	People who would enact the change had a clear understanding of how the change would take place		

Technology Company:

Change Selection	Pre-Communication	Barrier Removal	Implementation
The proposed change had widespread support	People who would enact the change were consulted early in the process	Implementers felt they had sufficient resource to carry out the change	The proposed change was implemented in a way that aligned with organizational values and culture
			Leaders of the change partnered with people to get them on board
			Leaders of the change focused on changing mindsets not just behaviors
			People felt empowered to figure out how to implement the change at their level

It might not surprise you that these two very different organizations have very different change success patterns. What is surprising is that most organizations don't help leaders see which behaviors work best in their organization. With the Change Equation you can now do this in a very efficient way.

To help leaders remember their organization's Change Equation we give them a 1-page poster and wallet card which shows all three factors in one snapshot: the culture they are working in, the 7-9 behaviors most important to get right, and the order to do them in. Organizations who provide this give their leaders 3 edges that most organization's managers don't have.

Example: Tech Company Change Equation

1) Culture Quadrant

Centralized Power

20%

Formal leaders or managers determine and delegate tasks to others to accomplish change.

11%

Formal leaders or managers use their network of informal relationships to initiate and accomplish change.

Task Focused

Relationship Focused

People follow those with the most expertise or competence to complete the tasks needed to accomplish change.

People with the best reputations and biggest networks use their influence to accomplish change.

11%

58%

Decentralized Power

2) Seven Key Behaviors (ranked)

1. The change was implemented in a way that aligned with organizational values & culture
2. Leaders of the change partnered with people to get them on board
3. Implementers felt they had sufficient resources to carry out the change
4. The proposed change had widespread support
5. Leaders of the change focused on changing mindsets not just behaviors
6. People who would enact the change were consulted early in the process
7. People felt empowered to figure out how to implement the change at their level

Change Selection	Pre-Communication	Barrier Removal	Implementation
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How to Learn your Company's
Change Equation™

1) Indicate Your Interest

> Email us @ *admin@nicholaspetrie.com*

> We send you an info packet.

> We make sure we are a fit over a call.

2) Take the Survey

> We send the survey link.

> We help you select 70+ people from your organization to take the survey.

3) Learn Your Results

> We meet with you and your team.

> We share your findings in our 10-page custom report.

4) Share with Leaders

> We can facilitate a half-day workshop for leaders to learn the results and the implications.

5) Apply it in Real Time

> Add Change Equation™ modules to your leadership programs.

> We provide 1-on-1 or team coaching to apply results to real changes.

> We measure success and train the trainer.

email *admin@nicholaspetrie.com* for more information.

Nick Petrie

Nick helps organizations prepare for the future by creating cutting-edge leadership development solutions that help leaders be more: adaptable, resilient, and strategic.

Some of his clients include: Delta, Walmart, Google, Workday, Salesforce, Deloitte, Comcast and NASA.

He has worked globally across industries including: engineering, tech, banking, pharmaceuticals, energy, law, accounting, construction and television. His specialty areas are: leading in complexity, lean leadership development (for busy managers), data driven change leadership, and resilience under pressure. He partners with clients in various roles: designer, deliverer, or advisor depending on the needs of each client.

Nick holds a Master's degree from Harvard University and two undergraduate degrees from Otago University. He is the author of the book *Work Without Stress: Building Resilient Mindset for Lasting Success.*

He lives in Austin, Texas with his wife and four boys.