

VitalSmarts White Paper

Change for Good

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Level 3 Process for Driving Systematic and Lasting Change

"Thanks again. This was the third 'turnaround' effort where I used your Level 3 approach to drive business improvement. In under twelve months we have achieved thirty percent improvement in quality, One-hundred percent improvement in on-time delivery of software releases, and over fifty percent improvement in productivity. Your efforts have truly made a difference."

Mike Miller

VP Business Billing

AT&T

As Robert hung up the phone, he felt an odd mixture of emotions.¹ It's not often that you feel exuberance and terror in the same moment. But those two emotions now competed vigorously for his attention as he contemplated what had just happened.

Robert had just been promoted to Vice President. It was an undeniable honor to reach such a rank at his young age. So he rightfully felt all the pride and satisfaction that comes with this kind of achievement. But the churning in his stomach didn't come from concern over crafting an appropriate acceptance speech. It came because he was taking command after his predecessor had been unceremoniously removed for nonperformance. Robert would now have to achieve what a seasoned veteran of senior management had dismally failed to pull off. He recalled the scene from Star Wars where Darth Vader terminates (in every sense of the word) a leader, then turns to the man's lieutenant as his former boss is still writhing on the ground and says, "You are in command now." A grimace was as close to a grateful smile as the nervous lieutenant could muster.

"I want to thank you for your exceptional service to Lockheed Martin during our pursuit of the Joint Strike Fighter program...Not only have we been able to create measurable changes in behavior, but we also . . . have hard evidence that these changed behaviors help drive our productivity, costs and quality . . . They were essential to our winning the Joint Strike Fighter program and will be mandatory for now delivering upon our promise."

Dain Hancock

President

Lockheed Martin Aeronautics

Robert found himself in charge of a 3,000 person software development group. The group had never kept a product release schedule. Its customers complained noisily that they were the company's "quality gate." That's a complicated way of saying that errors that should have been found by the testing department were found instead by customers. The company's core product had been maintained in an archaic COBOL platform long past the point that competitors had abandoned it. But they didn't dare make the switch for fear of introducing even more release delays and even greater errors. And while this set of challenges would have given any leader pause, workforce cynicism and mistrust of management showed up in a twenty percent turnover rate at a time when software engineers were a chore to find and harder to hold, making matters worse.

As Robert hung up the phone, he reviewed the mandate his new boss had delivered. He had eighteen months (less if he didn't show rapid progress) to:

1. Reduce costs by fifty percent (READ: Eliminate 1500 jobs).
2. Reduce severity 1 defects by fifty percent (bugs that crashed computers or kept the program from operating at all).
3. Meet schedule on one hundred percent of new releases.
4. Increase employee satisfaction by ten percent within the year.

Demand number four was added at the last minute by his boss—in order to support the company's "People are our greatest asset" program. For a moment Robert fantasized about the simple joy of the balloon-twisting job he had during college. Then he rolled up his sleeves and began fretting about his plan.

When You've Gotta Change Fast

Over the past twenty-five years, VitalSmarts has worked in over fifty large-scale change efforts with harried executives such as Robert. When Robert and his counterparts contacted us, they shared three things in common:

1. They faced a critical business problem that would require massive change in a limited time frame.
2. They were convinced they could not succeed at or sustain change without fundamentally changing behavior across the organization.
3. They knew of many ways to fail at leading change (they'd seen dozens of "flavors of the month" in their careers) but none for how to succeed.

We categorized their combined experiences into three levels of change that clarified what they really needed.

“To say I faced pressure to produce results quickly would be an understatement. And yet your leadership process enabled us not only to succeed, but to succeed in a matter of months. Within four months we influenced measurable behavior change across the organization, and saw every measure of our performance rise proportionately. My approach to leadership will never be the same.”

Tom O’Dea
Vice President CRM
Sprint

Level 1: A Training Initiative

Most of the attempts they had seen to drive new behaviors were training initiatives. Thousands of people were “sheep dipped” in new ideas, then returned to work where few of the ideas stuck. Since individuals came away with new skills but system-wide change was nowhere to be seen, this approach generally bred cynicism and suspicion whenever the next sheep dip was scheduled.

Level 2: A Soft-Change Initiative

A few initiatives combined training with an actual attempt to measure behavior change. For example, some companies used an attitude survey or some other instrument in an attempt to set measurable goals for change. While most of our clients were clear that Level 1 taught skills to individuals but did little to drive system-wide change, they suspected that Level 2 was the best they could hope for. They would do their best to try to change people’s attitudes or behaviors and would trust that somehow this would lead to better business performance. “After all”—some mused—“happy people are productive people. Aren’t they?”

Level 3: A Hard-Change Process

Our goal has been more aggressive by an order of magnitude. What VitalSmarts has attempted to do—and consistently succeeded at—is enable leaders to attain Level 3 change.

The end goal of hard change is not simply soft behavior change—but business performance improvement. At the end of a Level 3 change effort, Level 3 leaders are able to answer the two questions required of any responsible change effort:

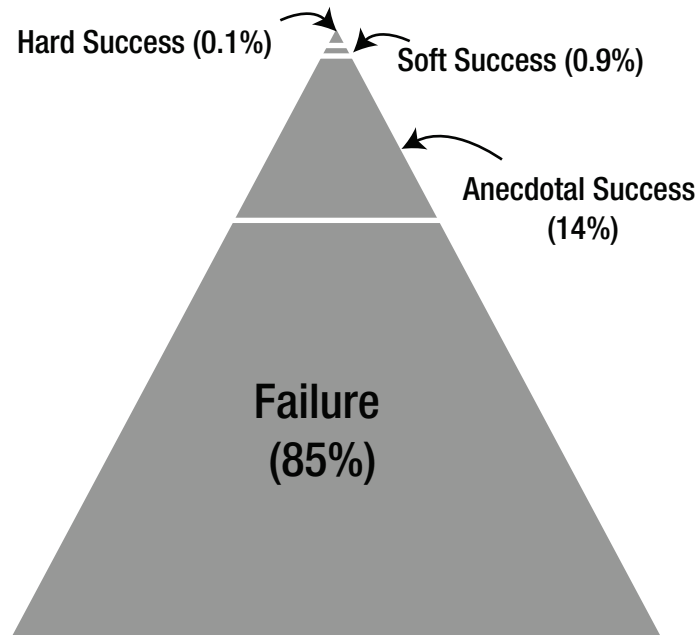
1. Do you have hard evidence that behavior changed?
2. Do you have hard evidence that this change drove significant improvements in performance?

In other words, we’ve lived where our clients lived. Within eighteen months Robert would not have been happy if we had helped him change a handful of behaviors as measured by a survey unless that enormous investment of leadership attention had yielded the productivity, quality, cost, and schedule improvements he would ultimately be judged by. Robert was not interested in soft change. He would either be applauded or terminated (so to speak) based on his ability to deliver Level 3 hard change.

A Pathetic Report Card

It turns out that our client Robert was not alone in his well-placed worry. We’ve reviewed a dozen studies of the success and failure of large-scale change. All counted, over two thousand change efforts were included. For scholars, the results would be shocking. For leaders such as Robert, they are downright depressing. The overall report card looks something like this:

Success Rates of Large Scale Change Efforts



In eighty-five percent of organizations that have completed change efforts within the previous two years, even an archeologist would struggle to prove that anything had ever taken place. And should they dig, they may turn up a few shards of slogan-emblazoned mugs, but they'd find no evidence that behavior had changed.

To the uninformed, the picture starts looking better the next level up in the pyramid. The roughly fourteen percent of efforts that are heralded as success stories also lack data to prove the claim. What they substitute for data are fascinating anecdotes. Most of what you read in popular management journals are case studies where the evidence of success is a great story about how, for example, supply-chain partners are working together better. The article will then go on to describe how costs were dramatically reduced across the supply chain—suggesting a huge leap of logic that a) the story is evidence of widespread sustainable change and b) the new cooperative behaviors were the cause of the reduced costs. But data? None.

Every once in a while you find a case of real soft change. Here leaders can show that behavior really changed. They'll have a story or two to illustrate their point, but more importantly, they'll have good, sound survey data that shows across-the-board improvement in the targeted behaviors. This is wonderful as far as it goes. The problem is, it stops there. What they lack is data that moves them from soft change to hard. They lack what leaders like Robert desperately needed. They can't demonstrate clear ROI by showing the relationship between changed behaviors and improved performance.

Since 1990, the founders of VitalSmarts have been developing strategies to help leaders lead rapid change in vital behaviors that drive profound and measurable improvement in performance. Our track record shows the challenge implicit in our mission. During our first five years we succeeded about half the time in bringing about soft change and half

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the time failed like our colleagues. During the next five years, we succeeded wildly at soft change (in more than two-thirds of our efforts) and had consistent success with hard change efforts (more than half the time).

Those first ten years helped us hone strategies for both predicting which leadership teams will succeed at change and for coaching those leaders to influence rapid and profound change. In subsequent years our success rate for hard change in completed projects has been 100%.

What We Know About Level 3 Change

There are three key phases in a Level 3 change effort. Senior leaders must:

1. Develop a business case for change—identifying vital behaviors.
2. Develop a comprehensive influence strategy.
3. Partner with the chain of command and opinion leaders to implement and measure change.

The overall process requires twelve to eighteen months depending upon how quickly leaders commit required time and mobilize company resources.

The Business Case for Change

In this phase, VitalSmarts partners with senior leaders to conduct a culture assessment. The assessment produces critical information, which produces more unified and committed leaders. The senior team emerges from the assessment with:

- A clear understanding of the three to five vital behaviors they must change if performance is ever to improve.
- A compelling and testable hypothesis for how these behaviors will drive improved performance.
- A gut-level buy-in to the absolute need for behavior change.
- A humble appreciation for the role they will play in driving change.

For example, after completing structured focus-group interviews with 300 people in Robert's organization, the senior leaders were confident that four behaviors had to change in their organization if they were ever to achieve their goals:²

1. **Candor about project risks.** Project managers and team leaders had to be able to tell the truth to senior leaders when they were behind in their part of a project—or when they knew of serious risks to the overall plan. At present, they would never speak up about such risky information—so steps could not be taken to mitigate risks or solve problems until they escalated into a crisis.

2. **Candor about process violations.** Employees at all levels had to be able to confront those who didn't comply with quality processes—including senior managers who regularly bypassed them.
3. **Candor about mistrust.** Employees at all levels had to be able to candidly discuss and resolve their mistrust of senior management. The lack of trust showed up in the high turnover and was causing a rush for the door amongst those who heard rumors that half of their jobs were disappearing soon.
4. **Honest estimates.** Team leaders had to candidly communicate their most likely case deadlines and real resource requirement for project plans—without padding. When teams gave estimates of the schedule and cost for completing their tasks, they routinely padded them. They knew from experience that management would later put the screws to them to demand more in less time at lower cost. Since managers knew team leaders would pad, they would put the screws to people after committing them to their “most aggressive commitments.” This led to more padding, followed by more demands for cuts, and so on. Senior leaders knew this game had to stop if there was any hope of developing realistic plans and delivering quality results.

After over one hundred hours of interviews were conducted in Mike's organization, one executive summarized their experience succinctly:

*“I had no idea it was this bad. I had no idea I was such a big part of the problem.
But now I have a clear idea of what we have to change to get out of this mess.”*

This comment underscores several key learnings for this phase after over fifty large-scale change efforts—that vital behaviors are the focus of successful change:

1. If senior leaders don't develop the business case, their motivation to implement the change effort will wane within six months, and they'll go back to their “real jobs.”
2. If change is not focused on five or fewer behaviors, it will die under its own weight. Efforts to influence a dozen vague values or fifteen nice-sounding competencies don't work.
3. There are always a small number of behaviors that have the biggest impact on results, and that lead to change in dozens of other behaviors if you can influence them. These are the vital behaviors.

The Influence Strategy

Leadership is about influence. Period.

Leadership is not just about crafting inspiring visions. Most leaders know they have to set a clear direction. Many probably even pick the right direction for their company. Success is achieved by not only picking the mission, but by influencing everyone to achieve it. Those who start and stop at spinning sound bites aren't leaders, they're dreamers. Leadership starts with a vision and ends with results. And results won't happen unless leaders can

successfully influence the behavior of their people. After all, it is not the leaders who produce the results—it is the people they lead. Many change efforts fail because leaders' influence strategies are fundamentally flawed.

Let's look again at our experience with Robert and his organization. He wants people five levels below him to start admitting failure to their bosses. To put this in perspective, he wants Sally-the-project-leader who is in fear for her job to be able to tell His-Majesty-Robert that there is no way in Hades she will come in on time with her deliverables. The question is: How will he influence her—and hundreds of others like her—to do this?

Flawed change efforts are based on flawed assumptions about why people do what they do. After identifying the behaviors that must change, leaders assume that people just aren't motivated enough—or just aren't skilled enough. So they roll out a motivating and electrifying training program hoping to pump everyone into changing behavior. In so doing, they forget how they carped when sitting through such classes earlier in their careers. While it might have been peppered with some 60s slang, they likely muttered something like, "I'll believe it when management starts walking the talk."

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This common complaint points to the fact that there are more influences that drive behavior than the motivation and ability of the individual. The behavior of bosses for example—whether exemplary or hypocritical—has a significant effect.

As Robert's executive team diagnosed barriers to change using the VitalSmarts Six Sources of Influence™ process³, they learned how they had unwittingly created a culture of just the opposite of what they wanted.

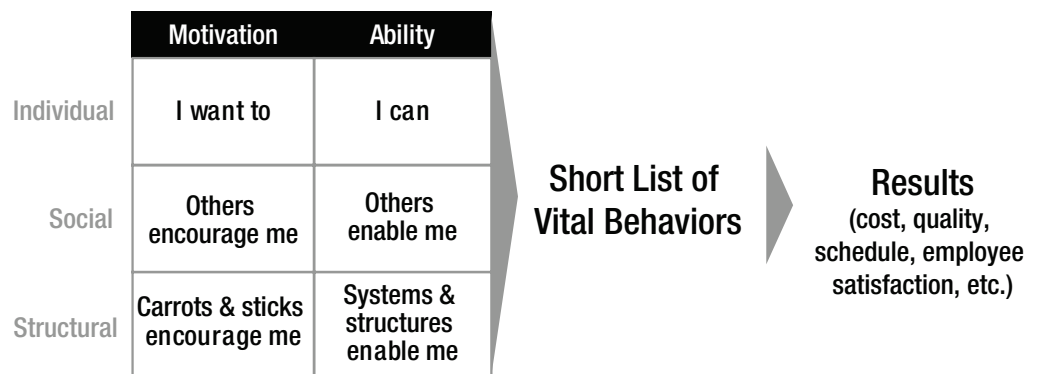
Leaders must be skilled at employing six distinct influence levers if they hope to develop a robust strategy for rapid change. For example, the common complaint about management hypocrisy points out that even individually motivated and able people might not act the way they should if social influence (specifically, the behavior of leaders) doesn't encourage and enable them to do so. In addition to creating a culture where people fess up to failures, Robert wanted to create a culture where people confront those who violate quality processes—irrespective of their level or position. Let's review the six sources of influence by sampling what Robert is up against in fostering vital behaviors. Take a look at some of the compelling reasons people would not confront quality violations in the existing culture—and notice how distinct each source of influence is:

1. "Confronting violations is unpleasant and distasteful, so I prefer to avoid it." (Individual Motivation)
2. "I'm a software engineer, not a diplomat. I don't know how to do this without making matters worse." (Individual Ability)
3. "My peers look at me like I'm a management suck-up if I challenge people to support the process. And my boss doesn't exactly pat me on the head either. Around here you go along to get along." (Social Motivation)

4. “My boss only cares about project-time and forbids me to spend a lot of time on indirect things like communication.” (Social Ability)
5. “If I want to be promoted, I’ve got to be supported. And making enemies by confronting violations is no way to get supported.” (Structural Motivation)
6. “We have such a complex development process that I don’t even know what the quality gates really are. Besides—we are so scattered across the campus here that I don’t know that I’d recognize the person who’s blowing through quality gates if he ran over me.” (Structural Ability)

Notice that only the first two barriers to change deal with individual motivation and ability problems (“It’s unpleasant” and “I don’t know how to do it”). The rest lead us into social influences (3 and 4) and structural influences (5 and 6) that have a profound effect on behavior.

Six Sources of Influence



In the Influence Strategy phase of a Level 3 change effort, executives learn to diagnose barriers and design influence strategies that engage each of these six distinct sources of influence. Our consistent experience is that when all of these sources of influence support new behaviors, change becomes inevitable. And when leaders learn to skillfully marshal all of these sources, they become world-class leaders.

In this phase, VitalSmarts consultants teach leaders to use the Six Sources of Influence process, help them identify barriers to change, and multiply their “influence vocabulary” by arming them with dozens of different strategies for driving change encompassing all six categories of influence. Leaders emerge from this process with not only a promising change strategy, but with broader and deeper skills in leadership in general.

Implementation and Measurement

The longest phase of a Level 3 change effort is implementation. During this phase we work to help executives develop overwhelming positive influence to support critical behaviors. While we do so, we carefully measure both behavior change and performance improvement, watching carefully for relationships between the two.

Hard change is not a mystery. It is possible. It does not require decades to bring about. It requires focused leadership based on sound principles. And when done correctly, it can yield impressive results.

There are times we find that some obvious behaviors have little effect on results. As the plan moves forward, these behaviors get less attention. We also find that certain less obvious behaviors are central to driving improvement. These rise to front and center of the effort.

In this phase, VitalSmarts consultants take on various roles. We play a heavy role in executive coaching. Our experience is that leaders must come to see how their own behavior sometimes unwittingly undermines the change effort. Our role in these cases is to create a positive and high-trust relationship with leaders so that we can candidly challenge them in these areas.

We counsel with various teams whose job it is to implement influence strategies in each of the six areas. For example, where training is used as a driver of change, we help implement Leader-as-Teacher strategies to ensure that the content isn't just delivered well, it's delivered by those who have massive social influence over whether the new skills are actually employed. In addition, we help leaders identify and engage informal leaders—or opinion leaders⁴—to gain their essential support for new behaviors.

Over a period of months, these influence strategies take root and begin to bear fruit. For example, as leaders up and down the chain of command teach and advocate new skills and behaviors through a Leader-as-Teacher strategy, employees begin to see them “walking the talk.” Now, in addition to feeling individually motivated and able through a process of training, these employees have social support from their direct supervisor to try out the new behaviors. They even gradually begin to challenge supervisors who appear to be undermining quality processes. And when they are uncertain about making the attempt, they look around at influential peers (opinion leaders) to learn that this is acceptable and even desirable behavior. As leaders engage and involve opinion leaders, the odds of all employees getting encouragement at just the right moment increases. Change begins when these behaviors are repeated.

This is an exciting stage in a Level 3 change effort. We typically provide senior leaders with separate reports tracking behavior change among opinion leaders. The reason is that opinion leader behavior change is a reliable leading indicator of widespread adoption of new behaviors. It's a rewarding moment when leaders review survey data from opinion leaders and realize that their vigorous effort is about to pay off. Typically three to six months after the number of trained opinion leaders start to rise, the more important survey measures follow.

The Rest of the Story

Hard change is not a mystery. It is possible. It does not require decades to bring about. It requires focused leadership based on sound principles. And when done correctly, it can yield impressive results.

Let's go back to Robert again. Success came twelve rather than eighteen months later. Behavior had changed fundamentally across the organization in each of the four vital

behaviors. Survey measures showed twenty percent or greater changes in these previously taboo behaviors. But most importantly, schedule goals had been consistently met—for the first time in division history. Quality was up fifty percent, costs were down fifty percent, and employee satisfaction and retention exceeded even the aggressive goals Robert had been handed. And statistical research showed crystal clear relationships between vital behaviors and improved performance. In fact, the relationship was so strong that there were no areas of the company that met performance improvement goals that did not also meet or exceed behavior change targets.

How Did Behaviors Make a Difference?

Beyond the statistical evidence we gathered that showed inarguable connections between behaviors and results, we wanted to know more. We wanted to understand the physics behind how these four vital behaviors were influencing performance improvements. Here's a snapshot of what we found.

Kill the Chicken

Have you ever heard of a game called Chicken? Popular in the 1950s among teens, many of whom have removed themselves from the gene pool by now, this sport involved two adolescents with their parents' cars driving quickly toward one another to test who would swerve out of the way first and earn the title of "chicken." Robert's software engineers played a similar game in that when they met monthly to report on the status of their part of a critical project, they would never admit that they were behind or struggling with critical defects. Instead, they played, "Chicken." They hoped someone else would admit to falling behind first so that everyone's schedule would be relaxed and they would become the happy beneficiaries of more time. The problem with this game was that everyone played it—no one would admit they had problems until it was impossible to deny any further. By this point, they were often too close to product release to employ any graceful recovery plans—such as renegotiating with customers, redirecting resources, or rescheduling releases. Occasionally, no one would admit they had problems, and the product would be released with serious defects. By "killing the chicken"—or enabling people to speak up honestly and quickly when they faced project risks—the team was able to deal with problems early, set schedules that made sense, and ensure higher quality deliveries.

Eliminating "Development Chicken" was also key to reducing costs. The company had to maintain a significant percentage of "slack" resources to deal with the inevitable crises that occurred late in the development process—or worse, immediately after new product releases. When the group developed behaviors that enabled a smoother, more rational development process, they found they could deliver with fewer resources—in other words, at a much lower cost.

The Wrong Benchmarks

The difference between high-quality and low-quality operations these days is less in the design of key processes than in gaining compliance with them. There's a perverse and wasteful game we play in the corporate world called benchmarking. When we aren't getting results we want, we "benchmark" someone who is. Unfortunately, what we bring home from these inspiring visits is everything except what matters most. We bring home endless notes about processes, procedures, roles, responsibilities, structures, and so on. What we miss is what gives life to all of these empty artifacts—the enabling behaviors that make or break improved processes. For example, Robert's people knew they needed good quality processes to improve results. And they knew they needed better project management. Heck, they even knew they needed to standardize their development platforms. The problem was not in knowing it was in doing.

What sucks the life out of most quality improvement efforts is not that people don't know what to do. It's that when people don't walk the talk, no one holds them accountable. In the organizations that are world-class at gaining compliance to new standards, everyone holds everyone accountable. This is not just top down, it is bottom up, peer to peer, and so on.

Robert's organization turned the corner one day when Robert put pressure on a testing team to "meet the deadline." The message was decoded by folks at the front line as, "Robert is a raging hypocrite. He talks quality but really only cares about schedule." During a project review a very respected member of the team—who was also two levels below Robert—candidly confronted him about the process violation. He reminded Robert about their quality process, pointed out how his edict appeared to call for skipped steps, and asked Robert if that's what he wanted. There was a painful pause. Robert's jaw worked back and forth. And finally he said, "That's pretty hypocritical of me, isn't it?"

When conversations like this one began to spread across the organization, compliance flourished. Quality improved. Costs and rework dropped. Morale improved as the team gained an *esprit de corps* that it had sorely lacked. One vital behavior made all the difference in the world.

Mushrooming Mistrust

A principle of corporate life is that the rumor is always worse than the reality. The same was true in Robert's organization. Rumors about downsizing, mistrust about the process for selection, and petty politicking to look good at others' expense dominated attention.

It turns out that mistrust can't survive in a climate of candid conversation. Mistrust, like a mushroom, flourishes in the dark. Robert worked hard to create an unprecedented level of openness about job cuts and related selection criteria. He gave some people as much as a year's notice about potential layoffs. But more importantly, he created a culture where, when people saw things that they thought were political or ill-motivated, they could candidly and directly confront the concern.

What we found was that when these conversations didn't take place, the problem was not that someone might have behaved badly but that the person who saw someone behave badly said nothing. This person then felt justified in behaving badly back, which generated a downward spiral of responding. Most corporate mistrust is not created by bad people doing bad things. It is created when normal people do one bad thing, and those who see it say nothing but respond in kind.

In Robert's organization, trust increased, commitment soared, and harmful turnover plummeted when people began talking out rather than acting out trust issues they had about the downsizing.

Peanut Butter Management

Robert's organization had developed the habit of "peanut butter cuts" we described earlier. When resources were constrained, upper management assumed no one would tell the truth about slack they could surrender in the interest of meeting higher goals. And they knew from their own experience as frontline supervisors that shrewd project leaders always build slack into their plan for just such exercises. So, they laid the cuts on the organization like peanut butter on bread—evenly and across the board. The edict would go out, "ten percent across the board!" And no end of mischief resulted. Where some teams probably needed more resources to meet objectives, and others could give up thirty percent or more—the exercise demanded rigid compliance. Schedule suffered. Quality tanked. The morale of those who had given honest estimates in the first place suffered the most. They felt punished for their honesty as they watched peers who had padded their estimates survive without breaking a sweat.

As we dug beneath the surface of what helped Robert's organization achieve such a rapid turnaround, we discovered that this one behavior was absolutely vital: Unless people at all levels could feed an overall plan with honest and intelligent estimates of schedule and resource demands, the games that would replace this vital behavior would double the cost, damn the schedule, and kill the morale of the team.

Probably most importantly, Robert and his executive team did not just complete a process—they learned a sustainable leadership methodology.

It's Not About Change—It's About Leadership

The VitalSmarts Level 3 change process is a sound, tested, and sustainable way of driving rapid change that leads to profound and measurable improvement in performance. In addition, it is a portable leadership methodology that makes good leaders great and great leaders world class.

So, the bottom-line question for leaders considering a Level 3 approach is this: What do you want? If you want training, then train away. If you want soft change, then ratchet up the training a few notches. Do you want rapid change in vital behaviors that produce significant improvements in results? VitalSmarts can help you get there.

Footnotes

¹ Robert's case is drawn from an actual VitalSmarts project.

² Notice that these vital behaviors deal primarily with how employees habitually handle emotionally and politically risky conversations. A consistent finding in our consulting practice has been that these kinds of “Crucial Conversations” are at the heart of what keeps an organization stuck—and what breaks it free to produce dramatically improved results. For a more complete description see *Crucial Conversations: Tools for Talking When Stakes are High* (McGraw-Hill 2002) by VitalSmarts.

³ For a complete treatment of the Six Sources of Influence, see VitalSmarts' book, *The Balancing Act: Mastering the Competing Demands of Leadership* (VitalSmarts 1995), Chapters 6-15.

⁴ See *The Balancing Act: Mastering the Competing Demands of Leadership*, Chapter 10.