

TOP TALK

A management update from
Ronald Doades & Company

December 2012

Managing in Changing Times—Lessons from the Winners

In our more than 350 meetings with leading nonutility companies over the past 20 years, we have learned much about what makes change successful in the competitive business world. What strikes us most is the attitude about change: top companies never seem to be satisfied with the *status quo*. Do best-practices companies love change for its own sake? Probably not, but they know that being innovative and adaptable can mean the difference between success and failure. As Peter Drucker once put it, “Those [companies] who continue as before face extinction and those who change fast face opportunity.” We have identified ten important lessons about managing change that seem to be universal among best practice companies. The first five are presented in this issue of TopTalk; the other five will appear in the next issue.

Lesson 1: Change is a corporate reality—get used to it.

A General Electric vice president once told us, “I go to sleep every night knowing that my competitors are lying awake figuring out ways to beat us.” The very nature of being in business requires change—change to keep pace with your customers’ needs, change to attract and keep talented employees, change to meet the evolving ways in which the business and financial worlds operate. Some companies are pretty direct about the attitude toward change they require in their managers. Said one IBM executive: “How do you work with middle managers who cannot adapt to change? It’s simple, you don’t—they’re gone.”

Top Tip: Build a change-embracing culture by recognizing and rewarding employees for pursuing creative and new solutions. Keep all employees continuously informed about the new developments inside and outside your company.

Lesson 2: Change can be introduced as a positive business advantage, rather than a reaction to a problem.

The really great innovators initiate change *before* a corporate financial crisis or significant business disruptions. Apple Computer’s internal environment promotes creative thinking about the future, about new products, about better ways of making things. The really good companies look for discontinuities in their business and they create change initiatives to address/capitalize on them. Classic examples: the founders of MacDonald’s saw a discontinuity in family dining habits and created the fast-food business. Fabulously successful Nucor was born out of the realization that large-scale steel mills could no longer compete with lower-cost global manufacturers, and created an entirely new way of making steel.

Top Tip: Conduct intensive, ongoing intelligence gathering to identify emerging opportunities and involve employees at all levels in capitalizing on those opportunities.

Lesson 3: Corporate change isn't good or bad—it's intimately engaging people in the process that makes the difference.

For best-practices companies, this is the bottom-line statement about successful organizational change, no matter how radical. Top managers are learning how to ask tough questions about how every stakeholder group will be affected by the change, and whether it represents a problem or an opportunity *in the stakeholders' eyes*. For best-practices companies, change has become (or always was) a dynamic ongoing process that's built into the culture. It means creating the kind of environment that "invests individuals with new skills and new purposes, thus allowing the company to regenerate itself," according to Francis Goullart and James Kelly in their book *Transforming the Organization*. People don't resist change—they resist being changed. As Hewlett-Packard told us, "People will change if the positive reasons for change outweigh the reasons for staying the same."

Top Tip: Do what it takes in your organization to be sure you understand your employees' thoughts, feelings and concerns. Be innovative in finding ways to provide appropriate solutions and attractive opportunities. It goes without saying that employees must be involved in this process. Publicize your efforts.

Lesson 4: Major change not only requires executive-level sponsorship, it requires ongoing executive-level involvement.

The executives of highly dynamic, successful companies don't mandate change and walk away. They get involved in the nuts-and-bolts of it, and they make it clear to employees at every level of the organization that everyone has a stake in the outcome. A senior vice president of AT&T estimated that the company's top executives spend 85% of their time being directly involved in change initiatives and programs. Says a former Exxon-Mobil executive who made it his habit to shake hands and chat with about 200 employees every day, "Sometimes a leader has to be seen as 'fanatical' in order to bring about dramatic change." The message is loud and clear—responsibility for change can't be delegated.

Top Tip: Do whatever you have to do to be visible, accessible and responsive. Being out, about, and constructively involved not only shows you care; it opens critical channels for the vital flow of information.

Lesson 5: Change can only work when all the stakeholders understand the change and feel committed to it.

As management expert Douglas Smith puts it, "Without an understanding of what and why they need to change as well as the desire to do so, adults will not take the other necessary steps." Best-practices companies know that employees must feel like they are "owners" in the change process, and not victims of it. When Navistar took the bold step of hiring a vice president of corporate communications from outside its industry a few years ago, the new v.p. spent the first six months in the field listening to employee concerns about the status quo. She then helped organize employee groups to address change issues and create a true forward-moving team spirit in which employees were empowered to assist and support each other.

Top Tip: Actively involve all employees at the very outset—get their input into designing and developing change initiatives, programs, and communications vehicles.

**Your thoughts, comments and suggestions are helpful to us,
so let us know what's on your mind!**