QUEEN’S UNIVERSITY IRC

The How of Change

Dr. Carol A. Beatty
Queen’s University IRC

Industrial Relations Centre (IRC)
Faculty of Arts & Science
Queen’s University
Kingston, ON K7L 3N6

Tel: 613-533-6628
Fax: 613-533-6812
Email: irc@queensu.ca
Visit us at: irc.queensu.ca

"Vision without execution is hallucination" – Thomas Edison

"Change failures happen when planners do not anticipate the complexity and level of detail needed to ensure implementation goes smoothly." – Carol A. Beatty

After you know who will lead a change initiative, why the change is necessary and what future you are trying to create, you come to the "how"—the activities you must plan to implement the change successfully. This is tough work because of the countless details that must be thought through and included in a change rollout plan. Forget something crucial here, and your change may be in jeopardy, as is highlighted in the following case study.

Case Study: Bad Form? The Introduction of a New Client Assessment Technology[1]

To policymakers at the Ontario Ministry of Health and Long-Term Care (MOHLTC), introducing a common computerized form to assess people for long-term health care services must have seemed relatively straightforward. After all, there was widespread agreement about the need for a tool to standardize case management and assessment practices and to promote information-sharing as a way of reducing inefficiencies, duplication and regional disparities.

Further, homecare workers had become experts at managing change: Since Ontario's Community Care Access Centres (CCACs) were created in 1995, employees had weathered years of ongoing public reforms, culminating in the Community Care Access Corporations Act.

The Act, passed in December 2001, radically altered the focus and administration of community healthcare services. When the first wave of reforms began to flow out of the new law in April 2002, the Resident Assessment Instrument–Home Care (RAI-HC) tool was among them. The MOHLTC, expecting smooth sailing and that CCACs would easily adapt, decided that within the year all case managers would be using the new tool to assess their clients for long-term care health services.

To Ontario's CCAC managers and employees—practised navigators of change—however, this prospect was overwhelming. For one thing, the RAI-HC was supposed to allow case managers with laptops to conduct interviews in clients' homes and enter information about their needs for homecare and long-term care services directly into computerized forms. But case managers, with an average age of forty-five and minimal computer skills, were daunted by laptops, the complex forms and special client software. "How, within six months, are we to be confidently interviewing people by their bedsides and keying the information into the two hundred and fifty fields of the form using a laptop?" they wondered. They could picture ailing clients enduring needlessly long consultations, they became anxious about job security because they didn't have the required computer skills, and they got more and more dispirited. They felt they'd been given no opportunity to participate in planning for change and would be blamed for a mess mandated from above when things didn't work out.

In April and May 2002, the inevitable collision took place between the plans of the policymakers and the concerns of the CCACs. By June, just two months after the announcement of the RAI-HC's introduction, the

[1] Excerpted from a teaching case study prepared by Laurie French (2003), under the supervision of Dr. Carol A. Beatty, with the assistance of Kirsteen MacLeod. Industrial Relations Centre, Queen's University for use in the Queen's Masters of Public Administration program.

process was mired. The ministry was forced to stop and consider whether to proceed, and if so, what the best approach would be. Somehow the RAI-HC introduction had bogged down quickly and inspired resistance in the normally change-ready CCAC crew.

Background on Community Care Access Centres

CCACs, which receive $1.17 billion in provincial funding per year, serve as a single entry point for clients needing in-home health care, for coordinating access to long-term care facilities, and for sharing information and referrals to other services. They evolved over the past twenty-five to thirty years out of early homecare pilot projects, and over the years services grew with demand, expanding to include long-term support services for the elderly—such as homemaking, physiotherapy, occupational therapy, speech therapy, dietetics and social work—and later, school support services to disabled children.

The impetus for reforms at Ontario's forty-three CCACs came in mid-2001, when the MOHLTC commissioned a management consultancy to prepare a study identifying ways to improve accountability, fiscal practices and quality management. A standard assessment tool was seen as a way to help correct regional disparities in access to CCACs and services, as well as enable an integrated health-information sharing network. The introduction of the RAI-HC was intended to improve case management processes. Created by an international research group, the RAI-HC form was part of a software program designed for use with adults needing comprehensive assessment for long-term services.

Introduction of the RAI-HC

In May 2002, the CCAC-Long-Term Care (CCAC-LTC) Priority Project was created to oversee the reforms, including the introduction of the RAI-HC across the province. The ministry did not provide a specific implementation plan for the tool, but instead delegated responsibility for developing specific strategies to each CCAC and directed the CCAC-LTC Priority Project to invest significant effort in keeping people informed.

The CCAC-LTC Priority Project's communications about the change focused on mandated reforms and associated timelines, usually provided days before they were to be enacted. This made CCACs and case managers feel that despite all the activity, they were not getting enough meaningful information and that their concerns were not being addressed. For one, they weren't convinced about the urgency; why, for example, was there was such a rush to use forms that wouldn't even be automated in the short-term and would have to be printed and re-entered by ministry clerks until a computer network was created? As well, they doubted that the in-home providers who were to receive the tool would even be able to understand it. CCACs were never given context about why the form was important and how it fit into the ministry's long-term goal of an integrated, networked information system. They started to wonder what it was all for, whether the ministry would even follow through, and if their efforts to adopt the form would be wasted.

Immediately after its creation, the CCAC-LTC Priority Project planned a training program on using the RAI-HC tool for a team of fourteen core educators. This core team then began training expert resource teams (ERTs) of two to five case managers in each CCAC, who would later help their colleagues. The training program was efficient and well-designed. However, the approach assumed that case managers and partner staff were computer literate and that they could easily integrate the tool into face-to-face client assessments in homes, which involved interviewing clients while filling out the complex form.

In a second planning initiative, the CCAC-LTC Priority Project hired a consulting firm to identify local issues that might impact the project's implementation. Their scan picked up various currents working against the successful introduction of the RAI-HC. For example, CCACs had a high degree of autonomy in their administration and approach to case management, and each had developed their own assessment tools. This meant that the initiatives and effort required to standardize operations varied significantly from site to site.

Their scan also noted that CCAC employees faced tremendous challenges in implementing the RAI-HC: there were financial implications that hadn't been considered—for example, ones relating to staff training and a shortage of laptops; the tight timeline was an issue; and there was a risk of inconsistent implementation strategies and processes due to a lack of specific direction from the ministry.

Reassessing the RAI-HC

By June 2002, it was clear that CCACs would be hard-pressed to introduce the tool successfully within the planned timeline and that there was a lot of resistance. For the MOHLTC, it was critical that the RAI-HC's implementation go well for a few reasons: they needed to set the right tone and build support for other impending reforms; the form had to be in place to provide the foundation for the next segment of case management reform; and there was a risk that the quality of care could diminish if the RAI-HC implementation was done poorly. What should the ministry and the CCAC-LTC Priority Project have done?

What Went Wrong?

In retrospect, it is easy to conclude that faulty implementation jeopardized a worthy idea, namely that of improving and standardizing case management within CCACs across the province. An assumption appears to have been made by the planners that they could "throw the program over the wall" for implementation at the various sites. That turned out to be a serious mistake. Each CCAC had a large measure of autonomy and had developed its own assessment tools. So at best, adoption would be uneven, and at worst, not happen at all.

The CCAC-LTC Priority Project team also needed to provide a lot more guidance and should have considered incorporating some of the local level implementers into the implementation planning effort. Or at the very least, they could have consulted them and gotten their feedback in a meaningful way. By doing so, glitches, such as the case managers' lack of basic computer skills, the shortage of laptops, the unrealistic timelines and so forth, could have been anticipated and addressed. The training provided, while good in and of itself, was in retrospect not sufficient. Communication of the why, what and how of the change should have been handled much more thoroughly than it was. Perhaps a pilot project or several pilots at willing CCACs could have helped identify some of these issues before the implementation problems threatened employee confidence in both the program and their leaders.

Implementation is Tough Work

Change failures happen when planners do not anticipate the complexity and level of detail needed to ensure implementation goes smoothly. Skillful implementation at the "how" stage of change makes a big difference. As the authors of a 2014 McKinsey & Company report note:

> Good implementers—defined as companies where respondents reported top-quartile scores for their implementation capabilities—are 4.7 times more likely than those at the bottom-quartile companies to say they ran successful change efforts over the past five years. Respondents at the good implementers also score their companies around 30 percent higher on a series of financial-performance indexes . . . Perhaps most important, the good-implementer respondents say their companies sustained twice the value from their prioritized opportunities two years after the change efforts ended, compared with those at poor implementers.[2]

[2] Pustkowski, R., Scott, J., & Tesvic, J. (2014, August). Why implementation matters. McKinsey & Company. Retrieved April 5, 2015, from http://www.mckinsey.com/insights/operations/why_implementation_matters

Furthermore, in this report the authors cited the following as strong core capabilities in good implementer companies: clear organization-wide ownership and commitment to change across all levels of the organization; ability to focus on a prioritized set of changes; clear accountability for specific actions during implementation; effective program management and use of standard change processes; planning for the long-term sustainability of changes from day one; continuous improvements during implementation and rapid action to devise alternative plans if needed; and sufficient resources and capabilities to execute changes. I agree with these findings, and they are incorporated into my advice below.

The Change Rollout Plan

Without a sound implementation plan, or what I call a "change rollout plan," an organization's vision is just a dream on the far horizon. The change rollout plan should be comprehensive without being rigid.[3] To create your change rollout plan, I recommend thinking through and answering the following questions:

1. What are the details of our change rollout plan (goals, objectives, milestones, measures, timelines, deadlines, roles and responsibilities, accountabilities, key resources, etc.)?
2. How can we generate quick wins in carefully chosen areas? Should we run any pilot projects before full implementation?
3. How can we remove obstacles and protect the risk takers? How can we anticipate potential resistance and turn it into support?
4. How will we reinforce the change?
5. What is our involvement plan?
6. How can we develop the new competencies needed and provide coaching and mentoring?
7. What will we do to embed the change?
8. How will we monitor, review, evaluate and modify our plans as necessary in real time?
9. How can we capture the lessons of change for the next time?
10. What is our communications strategy, and how do we ensure strong communications efforts right to the end?
11. How will we persist, persist, persist?

Let's take these questions one by one and provide more detail and advice about each.

Question 1: What is our change rollout plan?

The rollout plan should contain details about:

- Goals
- Objectives
- Milestones
- Measures
- Timelines
- Deadlines
- Roles and responsibilities
- Accountabilities

[3] Mercer Delta Consulting. (2000). Transition leadership: A guide to leading change initiatives, 5.

- Key resources
- Etc.

These questions are crucial to implementation success because answering them will provide not only guidance to organizational members but also confidence that the change leaders are credible and competent. Make sure your change rollout plan follows a logical sequence and that the timing is appropriate. Even if the organization is undergoing huge changes, a clear and logical plan will add to everyone's sense of stability. It is also important to ensure people have the time and ability to complete their change responsibilities as well as their ongoing workload. Imposing a lot of change on top of people's workloads can slow down or even jeopardize your initiative, so plan time for them to realistically work on the change and complete their regular duties.

Measuring change progress is an important issue that often gets lost in the shuffle. If you don't measure progress, you will not know if you're making any. Think of the key milestones on your change journey and when you hope to reach them. Then measure attainment of those milestones, and if you're behind schedule or off track, you can modify your plan accordingly. In addition, if you don't measure the end results, you won't know whether or not your change initiative has been successful. Set up the appropriate baseline measures at the beginning, and make plans to measure progress throughout and final goals at the end.

Think through people's roles in the change and what they will be accountable for, and put those into your plan as well. In The Who of Change[4], I proposed a model transition structure to help you, but your implementation plan needs more detail because many more departments, managers, supervisors, teams and individuals will have to make the plan work. Who are they, and what do you expect from them by what date?

Finally, pay attention to the resources required to make the change a reality. It will not magically happen just because the organization wants it to happen. Resources in the form of a budget, time, people devoted to the project and outside help from consultants may all be necessary. Put them into your plan.

A person with project management expertise can help the implementation leaders put the answers to these questions into a framework. In one of the successful change implementations I helped facilitate, the steering committee and each of the change implementation teams included a project manager to help with this critical task.

Another good piece of advice: Don't keep the change rollout plan a secret—this is a crucial mistake I've observed many times. The more people understand the plan, the better. It will be impossible for your employees to help implement the plan if they don't know what it is.

The following case study illustrates the attention to detail, effort and resources that were devoted to making a cultural transformation work.

Case Study: Large-scale Cultural Transformation at the City of Ottawa[5]

Between 2007 and 2010, the City of Ottawa successfully implemented a service excellence (SE) initiative across its many functions and operations. Using the Heintzman and Marson framework,[6] the City focused on engaging employees and improving operational performance in order to increase citizen satisfaction with its services, and thereby increasing confidence and trust in the City.

---

[4] Beatty, C.A. (2015). The Who of Change. Retrieved May 22, 2015, from http://irc.queensu.ca/articles/who-change.

[5] Patwell, B., Gray, D., & Kanellakos, S. (2012). Discovering the magic of culture shifts: A case study in large scale culture transformation. *OD Practitioner*, *44*(1), 11-17.

[6] Heintzman, R., & Marson, B. (2000). People, service and trust: Is there a public sector service value chain? *International Review of Administrative Sciences*, *71*(4), 549-575.

The City's executive council and senior management committee developed an eighteen-month "roadmap," which broke the initiative down into concrete steps and key milestones. The roadmap document included a "timeline, a list of deliverables, and a preliminary division of responsibilities from mid-2008 through the end of 2009."[7] The roadmap called for gathering data to measure baseline performance; involving managers and employees in assessing the data and generating SE goals in their own areas; hiring a large group of organizational development professionals to act as internal consultants; and coordinating a group to create a unified strategy and evaluation process.

The initiative was widely shared with City employees using manager and supervisor forums, and by creating and training a cadre of "team leads" to help advance the program throughout the City. In the end, the SE initiative benefitted the City by creating "a highly engaged city government workforce that goes to great lengths to satisfy its citizens."[8]

This case study, only briefly summarized here, shows the value of thinking through and creating a detailed roadmap (i.e., a change rollout plan), making sure everyone is aware of its contents, and then implementing it carefully.

Question 2: How can we generate quick wins in carefully chosen areas? Should we run any pilot projects before full implementation?

As John Kotter once wrote:

> Real transformation takes time, and a renewal effort risks losing momentum if there are no short-term goals to meet and celebrate. Most people won't go on the long march unless they see compelling evidence within 12 to 24 months that the journey is producing expected results. Without short-term wins, too many people give up or actively join the ranks of those people who have been resisting change.[9]

If you anticipate difficulty getting your change adopted throughout the various divisions, departments or areas of the organization, it may be wise to select one or more receptive areas for initial implementation. Launching parallel initiatives in different parts of the organization can increase the chance that changes will survive. Not only will you build acceptance by showing that the change can work, but you will also be able to work out problems you may not have anticipated before full implementation. The following case study shows how a pilot project helped a large company assess and learn about a proposed introduction of lean manufacturing before full implementation.

Case Study: Improving Construction Collaboration and Performance at Scania[10]

Scania is a manufacturer of heavy vehicles that also engages in construction work, mainly industrial production facilities. The construction management role is outsourced to Scania's subsidiary company DynaMate, which normally governs construction projects in a traditional manner. In 2008, Scania and DynaMate decided to initiate lean principles in their construction activities in order to reduce waste, costs and lead times from investment decision to finished project.

---

[7] Patwell, B., Gray, D., & Kanellakos, S. (2012). Discovering the magic of culture shifts: A case study in large scale culture transformation. OD Practitioner, 44(1), 11-17, p. 13.
[8] Ibid, 17.
[9] Kotter, J. (1995). Leading change: Why transformation efforts fail. *Harvard Business Review*, *73*(2), 59-67.
[10] Eriksson, P.E. (2010). Improving construction supply chain collaboration and performance: A lean construction pilot project. *Supply Chain Management*, *15*(5), 394-403.

Scania and DynaMate chose a site for a lean construction pilot project mostly because of a tight schedule. DynaMate had realized that they would have never been able to deliver the project on time with traditional methods. Additionally, the relatively small size of the project was considered appropriate for a first effort.

The pilot project finished successfully within the target price and time schedule. Many of the performance indicators were satisfactorily achieved, but some of them were not, partly because a few were unrealistic and others were difficult to measure. However, the manager at DynaMate who initiated the performance indicators stated: "This should not be seen as a failure since it is more important that we start measuring our performance than that we achieve all specific indicators at our first attempt." The improved cooperation among the partner companies resulted in monetary savings from a few factors, including more efficient coordination and joint usage of equipment.

The participants in the pilot project, on both the client and supply sides, were satisfied with the project's execution and its results, and felt that it could serve as a starting point for continually improving supply chain performance. A DynaMate manager expressed this view: "The pilot project has been an exciting start on a long-term change journey."

Question 3: How can we remove obstacles and protect the risk takers? How can we anticipate potential resistance and turn it into support?

In their enthusiasm, change leaders often underestimate the obstacles they will face when introducing change. As Machiavelli famously wrote: "There is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success, than to take the lead in the introduction of a new order of things."[11]

This quote is all about politics. So when creating your change rollout plan, be sensitive to the potential detrimental effects of organizational politics and plan for ways to deal with them. It's also wise to take the time to anticipate and plan for other potential obstacles, such as obstructive or opposing senior team members, turf protection, internal rivalries, legacy systems, organizational silos, red tape and bureaucracy, lack of skills or knowledge, lack of resources, and unrealistic timelines.

In addition, risk takers must be protected from those who try to discredit or even sabotage them in order to stop the change. The following case illustrates how sabotage jeopardized a merger of two organizations when a board of directors was unable or unwilling to protect their new executive director.

A Case of Sabotage[12]

The Sunshine Resource Centre (SRC) was formed in a small Ontario town in June of 1985 by Sandy Jones (not her real name) and two other women who felt their community needed a family support centre for local parents. With a $20,000 grant from the Children's Aid Society, they set up in a storefront location. The focal point of the SRC was a volunteer-run, drop-in room where parents could bring their children to play while sharing stories and ideas with other parents. The part-time centre became a welcome respite from the solitude of rural life.

In late 1985, the Ministry of Community and Social Services (MCSS) offered the SRC enough money to open full time if they merged with the Lakeview Resource Centre (LRC), a drop-in centre offering identical services sixty-five kilometres away. Neither centre particularly wanted the merger but the MCSS forced the issue by suggesting that only larger, multi-service centres would receive funding in the future. Fearing a loss of funding

[11] Machiavelli, N. (1532). *The prince*. Quote retrieved May 8, 2015, from http://www.brainyquote.com/quotes/authors/n/niccolo_machiavelli.html

[12] Excerpted from: Hunt, S. (1999). *The future of the Northumberland Family Resource Programs—Successful merger or perpetual disaster?* (Master's essay). Queen's University, Kingston, ON. Retrieved from Queen's University School of Policy Studies.

and wanting to offer their services full time, the SRC and the LRC agreed to the merger, and in February 1989 they incorporated as the Northumberland Family Resource Programs (NFRP).

After the merger, the two centres continued to operate independently of each other. Although they shared funding from the MCSS for core expenses, such as rent and salaries, almost all fundraising was done separately for each centre, and committees were set up at each location to develop programs and services with very little attempt to standardize any of them. By the mid-to-late 1990s, both centres were offering a drop-in centre and toy lending library. A preschool and a rural outreach program were also headquartered in the SRC.

Traditionally, board members had been responsible for both the day-to-day operations and the governance of the organization, but as the centres grew, some board members felt a paid administrator was necessary and began a campaign to hire an executive director (ED). Despite opposition from other board members, including Sandy Jones, they finally hired an ED in 1996.

Beth (not her real name), one of the early childcare educators from the LRC, was chosen as the ED. She had been well liked by the parents at the LRC because of her docile, kind nature and the exuberant way she dealt with children. She left her position and moved to the SRC, which had become the head office location.

It soon became apparent that Beth faced insurmountable difficulties. Although the staff at the LRC knew and respected her, the staff at the SRC refused to accept her and disputed the number of hours she was paid to work. In May 1996, Sandy sent Beth a letter, stating:

> The staff at the SRC feel strongly that the available dollars need to go into direct service for women's and children's programs. The decision to continue to allocate additional funds to administration causes our concern. Increasing administration expenses makes us feel reluctant to work unscheduled hours . . . We would like to suggest that you voluntarily scale back to 17 paid hours per week. We would be inspired and re-energized by you giving whatever time is necessary over and above your paid hours to do the job.

When her letter did not engender the response hoped for, Sandy and Nancy, another SRC staff member, began a campaign to oust Beth from the organization and separate the SRC from the NFRP.

Unfortunately, Beth had almost no support from the board. Having fought so hard to have her appointed, they had little time or energy to fight to keep her there. Beth was continually attacked by board members who supported Sandy and who made it next to impossible for her to exercise any authority over her staff. Sandy's campaign continued, and in late 1997, Beth was laid off for "budgetary" reasons. She had assumed that if the ED position were eliminated, she would be able to return to her old position at the LRC. She was shocked when the board told her she could not. Beth left the organization bitter and frustrated.

Lessons Learned

The risk takers, especially the change champion and others given responsibility for implementation, must indeed be protected from sabotage, but sabotage is not always as overt as in the above case. Be on the lookout for covert sabotage, which can kill a change before you even realize it is happening. If your change initiative is stalled, ask yourself if sabotage is a factor. If so, you must deal with it swiftly. If you don't have the power to do so, hopefully you will have the courage to bring the issue to the attention of the executive sponsor and others at the senior level.

How can we anticipate potential resistance and turn it into support?

In most change projects, outright sabotage is not a big problem, but resistance is. In a future paper, "A Closer Look at Resistance," I will give detailed advice on how to turn resistance into support. After you have considered this advice and consulted your own best instincts, think about how to reward helpers, turn bystanders into supporters and deal with resisters.

Sometimes obstacles are not dealt with because they are "undiscussables," the huge elephants in the room that are crowding out change success but that nobody will acknowledge and talk about. For example, at NASA, insulation foam falling off fuel tanks and hitting space shuttles became an undiscussable. At Kodak, digital photography was the elephant in the room, as was MP3 file-sharing in the music industry. In all of these examples, failure to acknowledge and deal with the elephant in the room led to bad outcomes. Moreover, if the elephant in the room is a culture of punishing risk takers, then it will be difficult to get anyone to step into a champion or supporter role. Think about whether there is an elephant impeding your change, and if so, deal with it—don't let it become an undisscussable.

Question 4: How will we reinforce the change?

To implement a change successfully, you must first get things moving and then maintain momentum by reinforcing the change. There are a number of reinforcement methods you can use, including

- activities, such as celebrations of milestones or progress along the way;
- tangible rewards, such as monetary incentives;
- social reinforcement methods, such as publicizing, praising and recognizing supporters.

Celebrations

Make sure your change roadmap contains milestones along the road to success, and when these milestones are reached, celebrate attaining them in some way, such as by holding a celebratory lunch, reception or even a simple meeting. Visible celebrations demonstrate that leaders are serious about the change and that the organization is on the correct path to achieving it. They also build confidence and keep up the motivation to continue. If you wait until the change marathon is entirely over to celebrate, the whole project will seem much more difficult and you'll be more uncertain of success. The following case study illustrates how one group at AT&T used a unique celebration to mark the milestone of merging two units.

Case Study: Merging Senior Management Teams at AT&T[13]

Rhea Serpan was excited when he became head of the western region of AT&T's Network Operating Group, a new unit created by the internal merger of the company's communications and information systems divisions. The new unit would give AT&T customers "one-stop shopping" for their computer and communications needs, as well as create economies of scale. However, making one team out of the two divisions would be challenging because of their different cultures and the distrust between the divisions.

The communications group members came from the old Bell telephone companies and had a track record of providing high-quality products and service. Its management, however, was somewhat complacent. By contrast, the information systems group was a new venture, and its managers were seen as risk takers but somewhat insensitive to people and bottom-line concerns.

There were strong antagonisms between the two sides, and each group felt that the other's management style was inadequate for meeting the needs of the combined operations. Both were reluctant to abandon past practices. Serpan knew that his only hope of developing a spirit of cooperation throughout the ranks was to build cooperation at the top. Consequently, he worked with an organizational consultant to develop a training

[13] Excerpted from: Marks, M., & Mirvis, P. (1992). Rebuilding after the merger: Dealing with "survivor sickness." *Journal of Applied Psychology*, *21*(2),18-32.

program that would prepare his top three layers of management to assume new positions and build their own new teams.

A three-day retreat was scheduled. Day one was devoted to a series of show-and-tell exercises in which functional leaders from the two sides educated each other on their respective ways of doing business. The second day's program aimed at preparing managers for action planning and the work of team building. The highlight of this day was a graduation ceremony intended to accelerate the "letting go" of the old process. After the managers in small groups discussed their ideas for successful integration, they were brought back together and asked to write down the three worst ways the integration could affect each of them personally. Each also received a sheet of stationery with his or her pre-integration letterhead and an old business card. Managers were then led outside, where a wooden coffin awaited. Off to the side, a marching band sounded a somber funeral march.

One by one, the eighty managers stepped up to the coffin, crumpled their worst-case list, letterhead and business card, and tossed them in. As the last manager stepped back from the coffin, the group was startled to hear a low, grumbling noise. Slowly, a two-ton paver rolled around the corner and headed straight for the group! As the band broke into a rousing rendition of "On Wisconsin," the paver flattened the coffin and its contents. Spontaneous cheering broke out as the paver rolled back and forth on top of the coffin. Then the managers were asked to return inside and to don academic caps and gowns. Ushers marched them into an auditorium where banners proclaiming, "Congratulation Graduates!" awaited them. Once all were seated, their regional director welcomed them and began a classic graduation speech: "The day has come for which we have all worked so hard to prepare you. It is now your turn: Our destiny lies in your generation's hands!" The managers sat quietly, absorbed in the speech, understanding the meaning of these words for them.

Then, the ushers brought one row of "graduates" at a time to their feet and marched them up to the stage. There, Rhea Serpan presented each one with a diploma, a "Masters of Merger Management," and a graduation gift—a share of company stock. After all had crossed the stage, the group turned the tassels on their caps from left to right, proclaiming that they had graduated into their positions as leaders of the new merged teams.

Tangible Rewards

Many managers consider tangible rewards the most effective reinforcement method, but before you reach for tangible rewards, keep the following excerpt in mind from a McKinsey Quarterly survey,[14] in which the authors asked respondents to rate their top motivators:

> The respondents viewed three noncash motivators—praise from immediate managers, leadership attention (for example, one-on-one conversations), and a chance to lead projects or task forces—as no less or even more effective motivators than the three highest-rated financial incentives: cash bonuses, increased base pay, and stock or stock options . . . These themes recur constantly in most studies on ways to motivate and engage employees.

Tangible rewards, such as incentive pay, bonuses and so forth may have a place in your change plan, but there are several caveats to using them. Research suggests that monetary rewards secure temporary compliance but may not produce commitment or any lasting change in attitudes and behaviours. Once the rewards stop, people may revert to their old behaviours.

---

[14] Dewhurst, M., Guthridge, M., & Mohr, E. (2009, November). Motivating people: Getting beyond money. McKinsey Quarterly. Retrieved April 5, 2015, from http://www.mckinsey.com/insights/organization/motivating_people_getting_beyond_money

Moreover, using tangible rewards may demotivate some of those who do not get the rewards. This type of reward poses a catch-22. On the one hand, if a change program's objectives are not somehow linked to compensation, this sends a message that the change program is not a priority. On the other hand, when the objectives are linked to compensation, motivation for change is rarely meaningfully enhanced, although temporary compliance may result.

Furthermore, such rewards may actually reduce intrinsic motivation because they conflict with a more important social reward. For example, after enjoying a wonderful Christmas dinner at your mother's house, you would not offer to pay for it. Your mother might well be insulted if you did because what was an intrinsic motivation to cook the dinner (enhancing your relationship) might seem degraded by a commercial exchange.

The good news is that small, unexpected rewards can have disproportionate effects on employees' satisfaction with a change program. For example, while helping turn around Continental Airlines, CEO Gordon M. Bethune sent an unexpected $65 check to every employee when Continental became one of the top five on-time airlines. John McFarlane of ANZ Bank sent a bottle of champagne to every employee for Christmas with a card thanking them for their work on the company's "Perform, Grow and Breakout" change program.[15] While you might think these are merely token gestures with short-lived impacts, recipients of these small tokens consistently report back that the rewards have a disproportionately positive impact on change motivation that lasts for months, if not years.

When designing incentives for change, be aware of "perverse incentives," however, which are incentives that motivate people for the wrong reasons or in the wrong direction. One example is that of people attending conferences, meetings or training courses not because of their interest in the subject but because of time off work or other perquisites that go with travel to attractive destinations. Perverse incentives need to be considered carefully when designing an incentive structure so that you're aware of any potential negative consequences of what might be put in place. A perfect example of this effect comes from the following insightful analysis of the U.S. legislative act, No Child Left Behind.

Analysis: The Perverse Incentives of the No Child Left Behind Act[16]

Supported by an overwhelming majority in the United States Congress and signed into law by President Bush in 2002, the No Child Left Behind Act (NCLBA) is remarkably ambitious and unusually intrusive. This act is supposed to increase academic achievement in schools across the nation, raise the performance of disadvantaged students to the level of their more affluent counterparts, and attract qualified professionals to teach in every classroom. These goals are obviously laudable. However, the act creates incentives that actually work against their achievement. Here's how.

Test scores are the fuel that makes the NCLBA run. Scores are tabulated for schools in the aggregate and must be disaggregated for a number of subgroups, including migrant students, disabled students, English-language learners and students from all major racial, ethnic and income groups. All of these scores are then used to determine whether schools are making "adequate yearly progress." For a school to make adequate yearly progress, the student population as a whole, as well as each identified subgroup of students, must meet the same proficiency goal. In other words, the test scores of a particular school or subgroup of students are not compared on a year-over-year basis, but are assessed with respect to a standardized and "objective" level of performance. Adequate yearly progress is thus less about yearly achievement gains than it is about hitting uniform benchmarks.

---

[15] Keller, S., & Aiken, C. (2000). The inconvenient truth about change management. McKinsey Quarterly. Retrieved March 5, 2015, from http://www.mckinsey.com/app_media/reports/financial_services/the_inconvenient_truth_about_change_management.pdf

[16] Excerpted from: Ryan, J. E. (2004). The perverse incentives of the No Child Left Behind Act. *N.Y.U. Law Review, 79*, 932-989.

Those schools that receive federal funding and fail to make adequate yearly progress are identified as in need of improvement and are subject to a range of progressively more serious actions. After four consecutive years of failure, schools must take one of several measures, including replacing school staff or instituting a new curriculum, and those that fail for five years in a row must essentially surrender control to the state government, which can reopen the school as a charter school, turn over management to a private company or take over the school itself.

Although the act is quite strict in defining adequate yearly progress, it is remarkably loose with regard to state standards and tests. States are free to determine their own standards, to create their own tests and to determine for themselves the scores that individual students must receive in order to be deemed "proficient." The act thus creates counterproductive incentives by establishing overly ambitious achievement goals and imposing significant sanctions for failing to meet those goals. It compounds these errors by allowing states wide leeway in creating testing and scoring systems. This odd combination of regulatory stringency and laxity could well prove disastrous. It encourages states to lower their standards, make their tests easier or lower the scores needed to be deemed proficient.

Focusing on absolute achievement levels rather than achievement gains also will generate incentives for parents, teachers and administrators to shun disadvantaged children and the schools that educate them. The reason is fairly simple: Disadvantaged students tend to do worse on standardized tests than do their more affluent counterparts. An accountability system that rewards and punishes schools based on absolute achievement levels will thus reward relatively affluent schools and punish relatively poor ones. Moreover, given that minorities are disproportionately poor, and that all schools are held responsible for the performance of their minority and poor students, this accountability system will tend to punish those schools that are racially and economically diverse. All of this will make racial and socioeconomic integration even more difficult to achieve than it is already, and it will provide even more incentives for good teachers to choose relatively affluent schools. These trends, in turn, make it possible that a law designed to narrow the achievement gap will help widen it. It will promote greater segregation by class and race. And, finally, it will help push talented teachers away from schools likely to be deemed failing, or from teaching altogether.

In summary, perverse incentives turned a law intended to raise academic standards into one that may lower them.

Social Reinforcement

Social reinforcement includes thanking helpers by publicizing, recognizing and praising their efforts and successes, which can be done via newsletters, personal recognition and acknowledgement in meetings, to name just a few ways. To be appreciated is a fundamental human need. Employees respond to appreciation because it confirms their contributions are valued. When they feel valued, their satisfaction and productivity rises, and they are motivated to maintain their support of the change.

A little recognition goes a long way. Take, for example, the CEO of a large multi-regional bank who sent out personal thank-you notes to all employees working directly on the company's change program to mark its first-year anniversary. Everyone appreciates a pat on the back like this, and it is inexpensive to incorporate into your change plan. Too often, such gestures are forgotten in the chaos of change.

Spontaneous praise is highly effective. To many employees, receiving sincere thanks is more important than receiving something tangible. Encourage your change leaders to recognize the efforts of helpers through personal, written, electronic and public praise in a timely and sincere way. This type of day-to-day recognition acts as an immediate and powerful reinforcement of desired behavior and sets an example to other employees.

Praise, recognition and other rewards for those helping implement the change will keep the momentum going forward and will also send a clear message to others who may be sitting on the fence. For example, after the terrorist attack on the twin towers in New York City in September 2001, Mayor Rudy Giuliani's leadership was credited with rallying the citizens and bringing calm during the crisis. He approached his situation as a change management challenge, and one of the things he did was lavish public praise on those who made positive contributions.

As Dr. Lawrence Hrebiniak, professor of management in the Wharton School at the University of Pennsylvania, wrote: "What's absolutely critical . . . is that the organization celebrates success. Those who perform must be recognized. Their behavior and its results must be reinforced . . . Managers have emphasized this point to me time and time again, suggesting that, as basic as it is, it is violated often enough to become an execution problem . . . Give positive feedback to those responsible for execution success and making strategy work."[17]

Celebrate your progress, praise your helpers and champions, publicize their successes, and watch the energy for change grow, as it did at Scotiabank.

Case Study: Improving Customer Service at Scotiabank[18]

In 2007, Scotiabank, a leading Canadian financial organization, received some recognition of its own when it won the 2007 Best in Practice award from Recognition Professionals International.

Scotiabank, working with a marketing services firm, developed this award-winning new program with the intent of recognizing and rewarding their best employees and, at the same time, increasing the strength of customer relationships. The program, called "Scotia Applause," was initially implemented in the division with the most customer interaction, the bank's retail branch network. Instead of consisting of many separate programs, each with a different focus, Scotia Applause is a web-based program integrated across all job levels—and with the single focus of improving customer service by recognizing and rewarding relationship-building behaviours.

The new program does not take the place of, or duplicate, performance-based compensation programs. Instead, it uses a new set of quantitative and qualitative metrics to measure how well the company builds a better customer service environment. These metrics include the following participation measures:

- Program participation and registration percentages
- Program website traffic
- Reward ordering
- Redemption analysis
- Behavioral analysis of engaged and disengaged program participants at specific periods of time

This last participation metric, conducted in part through employee surveys, is the most important, and is linked to customer satisfaction surveys, which, for a program designed to improve customer relations, is the bottom-line measurement of program success.

A 2005 Scotiabank study showed a strong positive correlation between high levels of participation in the recognition program, high employee satisfaction scores and high customer loyalty scores.

---

[17] Hrebiniak, L. (2005). *Making strategy work: Leading effective execution and change (pp. 200-201).* Upper Saddle River, NJ: Pearson Education, Inc.
[18] Human Capital Institute (2009). The value and ROI in employee recognition: Linking recognition to improved job performance and increased business value—The current state and future needs.

Question 5: What is our involvement plan?

Employee involvement in change is perhaps the most powerful lever management can use to gain acceptance for two reasons: people are generally inclined to support what they help to create, and they usually resist what is forced on them. In a 1996 interview with *The Wall Street Journal*, Michael Hammer, author of *Reengineering the Corporation*, admitted that during many high visibility reengineering projects, he didn't take into account employee involvement. "I wasn't smart enough about that [people]," he said. "I was reflecting my engineering background and was insufficiently appreciative of the human dimension. I've learned that's critical.[19]" There is plenty of research pointing to the benefits of participation in various organizational contexts, but only a few deal with change scenarios. One exception is a study by researcher Runes Lines that investigated the influence of participation in the successful implementation of strategic change.[20] He wrote:

> Findings indicate a strong positive relationship between participation and goal achievement and organizational commitment, and a strong negative relationship with resistance . . .
>
> Overall the results from this research have provided support for a positive relationship between participation and a number of outcome variables that are relevant for judging the successfulness of implementing strategic change. At the general level it can be concluded that the use of participation seems to be related to successful implementation of strategic change.

In another study, Sagie and Kolowsky found that subordinate participation in tactical decisions predicted an increase in change acceptance, work satisfaction, effectiveness and time allotted to work.[21] Coyle-Shapiro surveyed employees in a U.K. manufacturing setting, with three measurement occasions: six months before the introduction of a total quality management (TQM) program, and nine and thirty-two months after. Her findings suggest that the greater employee participation in a TQM, the more likely the intervention will be judged to be beneficial.[22] Finally, in a healthcare setting, researchers studied the factors contributing to change acceptance among professional staff.[23] They concluded:

> Non-physicians (nurses, medical assistants, administrative staff) reporting a high level of engagement (e.g., "My ideas and suggestions are valued by my department") and ownership (e.g., "I am willing to put in a great deal of effort to help my department succeed") scored significantly high on four dimensions of readiness to change, including perceived appropriateness of the change, anticipated benefit from changes, perceived support for change among peers and leaders, and capability to implement changes.

In light of these findings, my advice is to beware of outsourcing your change plan to an external consultant. Consider this typical scenario: In an important change effort, an external consultant is hired to develop a detailed change plan, with little input from the organization, except for requirements prescribed by the executives. The consultant then hands over the process design and documentation to the team responsible for implementing it. This team passively accepts the consultant's recommendations, but then ignores them. In fact,

---

[19] Quote retrieved from: http://www.thefreelibrary.com/The+coming+age+of+organizational+resilience.-a020853564

[20] Lines, R. (2004). Influence of participation in strategic change: Resistance, organizational commitment and change goal achievement. *Journal of Change Management*, *4*(3), 193–215.

[21] Sagie, A., & Koslowsky, M. (1994). Organizational attitudes and behaviors as a function of participation in strategic and tactical decisions: An application of path-goal theory. *Journal of Organizational Behavior, 15*(1), 37–47.

[22] Coyle-Shapiro, J. (1999). Employee participation and assessment of an organizational change intervention: A three-wave study of total quality management. *The Journal of Applied Behavioral Science, 35*(4), 439-456.

[23] Hung, D., Wong, E., Anderson, K., & Hereford, J. (2013). Ready to change? The role of employee engagement, ownership, and participation in managing change. *Clinical Medicine & Research, 11*(3), 159.

at the project post-mortem, team members tell executives that they actively sabotaged the new process because "the consultants developed the process, even though we are the experts."

As well, beware of asking for input if there is no intention to incorporate it into your plan. Participation can backfire if it is just for show or if change leaders are not open-minded to listening or considering the possibility of alternative approaches. Furthermore, because many middle managers feel their status rests heavily on their power to tell others what to do, it can be difficult to persuade them to try participative approaches. Participation requires both a willingness by managers to share decision making with lower level employees and a willingness by employees to share responsibility. Participation will not work with people who are passive or apathetic. These considerations aside, participative approaches to change implementation can create powerful forward momentum.

General George Patton of the U.S. Army was once quoted as saying, "Never tell people how to do things. Tell them what to do, and they will surprise you with their ingenuity." Trust in the innate intelligence, skills and creativity of your employees, and they will not disappoint you. By involving staff whenever possible in the early stages of planning a change, you can save time later, which is commonly taken up by reacting to resistance. Rather than guessing at how staff may view a proposed change, encourage staff to voice opinions and suggest ideas so you can plan change with a much clearer picture of the road ahead. The general principle: try to involve as many people as possible, as early as possible.

Some suggestions for participation and involvement:

- Invite employees to serve on ad-hoc committees to examine competitors' products and/or services. Ask for a report concerning the pros and cons of these competitive products/services and their recommendations for improvements to your own. Have them present their report at organizational meetings.
- Get a team of employees together to visit selected sites of the organization to gather responses to the change. Have them present their findings in an oral or written report.
- Get a group of employees to review the literature on best practices on the topic of the change initiative.
- Schedule employee focus groups to get their feedback about various aspects of the change initiative (the vision, the business case, etc.) as it progresses.
- Have employees form problem-solving groups and suggest solutions to some of the challenges posed by the change initiative. Make plans to gather their suggestions and act on them wherever possible. Wherever their suggestions cannot be acted upon, be sure to give them the reasons why.
- Hold large-scale interventions in which groups of employees participate. (See the appendix to chapter two for methods and objectives.) Ask managers of specific units to speak with their employees about setting targets for adjusting to the change. Ask for a report of these discussions.

Participation can be a powerful force in organizational success. The following case study tells how a group of employees got together and saved their company by participating in an employee buyout.

Case Study: Employee Participation Saves the Great Western Brewing Company[24]

The Great Western Brewing Company traces its history back to the 1920s, when the two-and-a-half-city-block facility was built in Saskatoon. Since provinces control liquor and beer distribution, beer brewed beyond Saskatchewan's borders was traditionally kept out, ensuring the brewery had a reasonable market. But in the

[24] Excerpted from: Beatty, C.A., & Schachter, H. (2002). *Employee ownership: The new source of competitive advantage*. Etobicoke, ON: John Wiley & Sons.

late 1980s, it was clear that would change, as inter-provincial and Canada-U.S. barriers to trade started to evaporate. Canadian breweries were grossly inefficient compared to their American competitors, which could count on large production runs since they served huge markets. The Canadian industry became preoccupied with consolidation and economies of scale, although a successful counter-trend also emerged, in the form of premium-oriented microbreweries.

When the Molson and Carling-O'Keefe breweries announced a merger in July 1989, it was inevitable they'd restructure their operations across the country. One casualty was their Saskatoon brewery, which was to be shut down and production consolidated in Regina. Even before the announcement, there had been unease at the brewery. At one point, Greg Kitz, the vice president of the union, took to wandering about the plant on his spare time during the night shift, photographing all the machinery and recording their power ratings and capacity. In effect, he was taking an inventory of the plant—but unsure of the reason. "It was a feeling I wanted to take stock of things. I didn't know why," he says.

Kitz was caught in a dilemma. He was inclined to consider moving to Regina, but his wife, Brenda, told him that he would be going without her. Then one day, as they were at a gas station waiting for the car to be filled up and brooding about the situation, she said, "Why don't you buy the plant yourself?"

Since the union insisted on not being involved in any buyout attempt, an employees' association was formed to investigate the possibility. Then one evening, on the spur of the moment, the couple wandered over to Peter McCann, who lived two blocks away, to see if he would help. McCann, who had been plant manager a few years earlier, had transferred to Calgary before quitting Carling-O'Keefe to become president of Prairie Malt.

As it turned out, he had just finished his mandate there and agreed to conduct a feasibility study—for free. With lots of government contacts, McCann quickly rounded up some cash for the study. To the surprise of many employees, this study suggested that employee ownership was a viable opportunity. With McCann willing to serve as president and veteran Gib Henderson recruited as the all-important brewmaster, the Saskatchewan Economic Development Corporation agreed to put up 75 percent of the estimated $3 million required to purchase the plant and start up the new company. The twenty-nine employees agreed to take a 15 percent wage cut so the operation would be more economic. And sixteen employees invested between $50,000 and $100,000 apiece in their new company, supplying the other 25 percent of financing in return for 100 percent ownership. "It was all used equipment, and it took a lot of work and effort," McCann said. "But it's working."

There were unsettling moments at first, as everyone acclimatized to the situation. The sixteen shareholders would meet once a week to check how they were doing. And they had a difficult balancing act on the shop floor: trying to preserve their equality with long-time colleagues who hadn't invested and acceding to the day-to-day authority of managers, while still having that special responsibility and concern—and fear—that comes from being an owner. But if it was a balancing act, they also knew which way they had to lean: the managers had to be in charge on a daily basis. That had been a basic organizing principle from the outset. That strategy helped the company turn the corner. Sales improved and market share increased slowly but also steadily. That was not the end of the story. The brewery went through management changes and several crises after the employee buyout took place, but it has survived, and several of its beer varieties have received international awards of excellence.

Much of Great Western's success, including its growth across Saskatchewan and in Manitoba, British Columbia and Alberta, can be attributed to it being largely an employee-owned company, said Michael Micovcin, Great Western's president and chief executive, in a 2013 interview published in the *Financial Post*:[25]

> If they're shareholders, they obviously have a vested interest. They've made an investment in us and we have a special obligation to them. The transparency and communication are very important. In the past, we had some product quality challenges. We sat down with our employees, shared the history of some of those challenges and some of the things we were trying to address. We were effectively asking for their support in solving these challenges, because sometimes they can see things with a different lens than we can. And they came through. We want our employees to say, "I understand this problem and I want to be part of the solution."
>
> Our employees are our brand ambassadors. When one of our employees takes a case of new beer home, shares it with friends and family and they absolutely love it, and they tell them how exciting the organization is, all of a sudden, they're getting their friends and family excited and becoming ambassadors too. To me, that is more powerful than an ad or a communication campaign.

Interesting Facts About Employee Ownership

Studies have generally shown that employee ownership has a positive impact on profitability, revenue growth and productivity. Indeed, one Canadian study by the Toronto Stock Exchange found that companies with employee share ownership plans had a 95 percent higher profit and a 123 percent higher growth in profits over five years. Studies in the U.S. have concluded that employee stock ownership plan (ESOP) companies grow faster than non-ESOP firms by about 2.3 percent and that those that also use participative management along with an ESOP can grow 8-10 percent faster than those without either.[26]

Why is this so? Companies compete by processing information and acting on it intelligently. In ESOP companies, information gathering and decision making are undertaken not only by managers, but by a wider group of employees who have more daily contact with customers and are closer to the day-to-day processes that make the company efficient.

Convinced that participation can make a difference to the outcomes of your change initiative? I hope so. There are literally thousands of ways to involve employees during a change, so my best advice is to be creative and think of the ways that suit your change and your organization.

Question 6: How can we develop the new competencies needed and provide coaching and mentoring?

The most successful organizations spend more time and money on education and training than unsuccessful ones, and that is one reason why they attain superior performance levels. At no point is this time and money better spent than when preparing for and implementing change. Furthermore, the design and the sequencing of training during change is crucial. Most adults cannot learn merely by listening to instructions, so ideally training should incorporate time to absorb new information, use it experimentally and integrate it with their existing knowledge.

---

[25] Lopez-Pacheco, A. (2013, December 23). How Great Western Brewing has benefited from its employee-owned business model. *Financial Post*. Retrieved April 5, 2015, from http://business.financialpost.com/2013/12/23/how-great-western-brewing-has-benefited-from-its-employee-owned-business-model/

[26] Beatty, C.A., & Coates, M.L. (1997). *Employee ownership: How do you spell success?* Kingston, ON: IRC Press.

Furthermore, after three months, most adults retain only 10 percent of what they have heard in lecture-based training sessions (e.g., presentations, demonstrations, discussions). Even when trainees are asked to make a commitment to practice what they've learned back in the workplace, very few keep these commitments. Their attention is taken up by more pressing issues, including catching up on the work they couldn't do while in training sessions. However, when they learn by doing (e.g., exercises, simulations, case studies), they retain 65 percent of the learning. And when they practice what they have learned in the workplace for a number of weeks, they retain almost everything.[27]

The low retention rates from lecture-based training, which is widespread in corporate settings, has profound implications for the training you design to support a change initiative. For one, people assimilate information more thoroughly if they go on to describe to others how they will apply what they have learned to their own circumstances. The reason, in part, is that human beings use different areas of the brain for learning and for teaching.

You can implement a number of practices to improve training for change. First, ensure training isn't a one-off event. And to be effective, it should be designed to be experiential, using simulations, exercises and case studies, as well as presentations and discussions. Classroom training can be spread over a series of sessions, with fieldwork assigned in between to apply the learning in the workplace. These fieldwork assignments should require participants to put into practice the new skills in their daily work. To further enhance the learning, the fieldwork should have quantifiable measures to show how much competence was gained. Recognizing the skills attained through certification is also a good idea, as is having participants teach what they have learned to others, which will reinforce and deepen their knowledge. The following case study illustrates these principles in action.

The IRC Trains an Organization in Transitioning to a Team-based Culture[i]

The subject of this case study is an independent, non-profit organization known as the Canadian Council on Health Services Accreditation (CCHSA), which my colleague Brenda Barker Scott and I helped implement a cultural transition. A small- to mid-sized organization in the healthcare industry, CCHSA employs about sixty people, a large majority of whom are women. This organization's mission is "to promote excellence in the provision of quality health care and the efficient use of resources in health organizations." CCHSA develops voluntary accreditation programs for healthcare organizations across the country. By participating in CCHSA's accreditation programs, Canada's healthcare organizations can monitor their performance using various performance indicators.

In 1996, the combination of several factors provided the impetus for CCHSA to make the transition from a hierarchical and functionally-organized company to a team-based structure. One important factor was the need for CCHSA to improve the services offered to clients. Prior to 1997, CCHSA's employees were organized around functions, such as education or surveying. In this functional setup, a given client of CCHSA would have to contact different people in different parts of the organization depending on the nature of the query, and in the process of solving the query they could be transferred several times. This was confusing, an inefficient use of time and was an area of CCHSA's service delivery that needed improvement.

[27] Whitmore, J. (2001). *Coaching for performance* (3rd ed.). London, UK: Nicholas Brealey Publishing.

The IRC Trains an Organization in Transitioning to a Team-based Culture (Continued)

The other major environmental influence that encouraged CCHSA to re-evaluate their structure was financial: the budget for 1997 had been cut significantly. Increasingly scarce resources, combined with the desire to avoid layoffs and avoid any increases in the cost of services provided to Canada's health organizations, made flattening the organization a logical step. The transition to a team-based structure was an adaptation to CCHSA's changing environment.

In the summer of 1996, CCHSA's executive team went on a retreat, where they decided to move to a team-based structure. The executives drew up a new organizational chart that illustrated a flatter structure and a number of work teams that focused on one of CCHSA's client markets. CCHSA was flattened from the original six layers to a much leaner three layers. At the top of the new organizational chart was the executive team, called the "priority and planning team" (colloquially referred to as P&P). The next layer was the operations committee, which was comprised of five team leaders, followed by five work teams.

This major decision was shared with the entire organization at a general staff meeting just prior to the Christmas holiday in December 1996. There, the executives announced the plan for CCHSA's transition to a team-based structure and reviewed the environmental circumstances that made the change necessary. When employees returned from the Christmas holiday, they were members of a team tasked with providing services to a particular market and no longer part of a department with a particular function. The top two layers of the organization, the P&P group and the operations committee received a day of training from the Industrial Relations Centre (IRC) at Queen's University. During this one-day workshop, participants were educated on the team effectiveness model[ii] and learned about the organizational support, processes and skills important for team performance.

During the spring of 1997, each of CCHSA's teams received one-and-a-half days of team training from the IRC team, which combined lectures and team exercises focused on team management practices, problem-solving skills and the conflict-handling skills that are important for teams to master to improve performance.

I administered a team survey at three different times, the last of which was done in December 1998. The survey addressed the three skill sets important for teams: team management practices, problem-solving skills and conflict-handling skills. The survey showed that by the end of 1998, teams had reported significant progress with respect to the three critical skill sets and that performance and satisfaction had increased from the second to the third administrations of the survey. The results also identified areas that needed improvement, such as communication between teams.

Team training continued during the early months of 2000. The research and development, acute care, health systems, primary and continuing care, and corporate support teams all participated in team-building exercises with Brenda Barker from the IRC. During these team-building sessions, Barker and the groups explored two important concepts for the management of teams: team charters and team values. Then in April 2000, the P&P and operations committee members participated in a session with me that focused on the organization's values. There was also a lecture on change management and the success factors that the literature and my own research identify as important in the process of managing change projects.

The change to a team-based structure was considered a general success by the CCHSA's executive members, and both the teams themselves and their clients have noted an improvement in the provision of services.

The IRC Trains an Organization in Transitioning to a Team-based Culture (Continued)

Table 1: IRC training schedule for CCHSA

Date	Training Initiative
1996	Lecture on moving to a team-based organization
Early 1997	1-day workshop on the team effectiveness model with the P&P group and operations committee
Spring 1997	1.5-day team effectiveness workshop with all teams
January – April 2000	Charter and values exercises with corporate support, research and development, and service delivery teams
April 2000	Change management lecture and values exercise with the P&P and operations committee
May 2000	Transition structure session with P&P and the operations committee

[i] From notes compiled by Dr. Carol A. Beatty and excerpts from Thackray, Y. S. (2000). The management of change: The movement from a functional hierarchy to a team-based Structure. MIR Research Essay. Queen's University School of Graduate Studies—Industrial Relations, Kingston, ON.

[ii] Beatty, C., & Barker-Scott, B. (2005). *Building Smart Teams: A Roadmap to High Performance*. Thousand Oaks, CA: Sage Publications.

Coaching and Mentoring

Coaching and mentoring, as opposed to training, is also important during change but often is ignored or neglected. Perhaps this is because it demands that managers develop a set of skills not usually required of them, although some believe the best managers constantly coach their employees. Coaching differs from training in that it is a day-to-day, hands-on process of helping employees improve their performance and capabilities.

Before effective coaching can take place, however, an explicit set of expectations between a supervisor or an organization and an employee should be developed. These mutually agreed-upon expectations lead to specific performance goals, enabling the coach to observe actual performance and provide helpful feedback when performance does not meet the goals. To play the role of coach, managers must temporarily suspend judgment, listen empathetically, probe for concerns, and be ready to offer specific suggestions about development and performance improvement. For the coaching process to be effective, the coach must create an open climate that encourages a free exchange of ideas and is perceived by both as a growth environment.[28]

[28] The Industrial Relations Centre at Queen's University offers an excellent program on coaching skills. Go to http://irc.queensu.ca/ for more information.

Question 7: What will we do to embed the change?

After communicating the vision and proceeding to the implementation of a change initiative, change leaders often forget the important task of alignment. The structure, systems, processes, policies, people, capabilities, resources, leadership, culture, and so forth must all be examined for alignment with the change.[29] If not, they may pose insurmountable hurdles to achieving the desired outcomes, and even worse, people may not understand the subtle workings of misalignment during change.

Take, for example, the energy company that wanted to ensure it attracted the best employees to work in remote Fort McMurray, Alberta. One way it tried to do so was by offering a $3200 rent allowance to new employees. It worked at first; the company was able to attract the workforce it needed. Average apartment rents were around $1600 at the time, so the employees were able to put the difference in their pockets. Everyone in the company was happy. But the landlords soon caught on. Housing was scarce, so landlords raised the rents to $3200. Then other companies had to up their allowances to $3200 as well. This meant that rents were out of the range of service workers, and as a result, places like Tim Hortons and McDonalds' closed. Among other unfortunate outcomes, restaurant service took hours because there was a shortage of servers. What started out as an idea to attract employees ended in unanticipated, negative consequences for the company and the community. The situation only resolved itself in a recession that followed, but the question remains as to whether the companies will repeat the same mistakes when the good times return.

The following example shows just how out of control things can get when you don't think of the system as a whole.

The Yellowstone Syndrome[30]

In the late 1800s, Yellowstone National Park's game population (elk, bison, antelope and deer) began to disappear. So in 1886, the U.S. Cavalry took over management of the park. And its first order of business was to help bring back the game population.

After a few years of protection and special feeding, the game population started to come back strong. But what the government didn't understand was that it was dealing with a complex ecosystem. You can't just change one thing and think that it won't also lead to cascading changes elsewhere.

The surging elk and deer populations ate a lot more. This caused the plant life to diminish. Aspen trees, for instance, started to disappear, eaten by the numerous elks. This hurt the beaver population, which depended on the aspen tree. The beavers built fewer dams. The beaver dams were important in helping prevent soil erosion by slowing the flow of water from the spring melt. Now the trout population took a hit, because it didn't spawn in the increasingly silted water. And so on and so on . . .

The entire ecosystem started to break down because of man's desire to boost the elk population. It got worse. In the winter of 1919-1920, more than half of the elk population died—with most of them starving to death. But the National Park Service chalked it up to predators. So it began killing wolves, mountain lions and coyotes—all of which only made the problems worse. By the mid-1900s, the park service managed to kill off nearly all of the predators. In 1926, it shot the last wolf.

---

[29] The Queen's IRC "Blueprint for Organizational Effectiveness" is an excellent tool for examining alignment. It can be retrieved from http://irc.queensu.ca/articles/queens-irc-blueprint-organizational-effectiveness

[30] Excerpted from: Mauboussin, M. J. (2009). *Think twice: Harnessing the power of counterintuition*. Boston, MA: Harvard Business School Press.

Lessons Learned

The experiences of Yellowstone Park and Fort McMurray are similar to what can happen in organizations that introduce change without thinking about its effects on the entire organizational system. What are the implications of the change for the HR systems and policies, for the organization's structure, for reporting relationships, for internal communications, for resources, and so forth? Must you alter any to make them work for the change and not against it?

A whole-systems approach is necessary when assessing the impacts of change on the organization. Failure to understand the impacts of change on the entire organization will result in isolated and disjointed decision making, conflict and disconnected projects.

Question 8: How will we monitor, review, evaluate and modify our plans as necessary in real time?

It's common knowledge in the aviation industry that airplanes fly off course 90 percent of the time. They reach their final destination by nearly incessant course corrections throughout the duration of the flight. The same will be true of your change rollout plan; reviewing and adjusting it will be necessary. The first iteration will not be perfect. And the longer the project implementation, the more course corrections you should expect. Fluctuations, errors, bad planning and incorrect assumptions about what is needed all come into play when the implementation process occurs. So given the unpredictability of most large-scale changes, make sure you review progress on a regular basis and make the necessary adjustments to your plan. Also, make people aware that modifications to the plan are normal so that they don't get upset or aren't caught off guard.

Your change rollout plan should have an estimated start and end date for each activity and statements about who is responsible for which activities. It can, however, be difficult to estimate how long individual tasks will take. The classic mistake is to be optimistic about how quickly the activities can be accomplished. So be sure to hold frequent review meetings to assess how you are doing.

There are two different types of review meetings: the project status meeting and the resolution meeting. In the project status meeting, you identify project-related problems and opportunities; in the resolution meeting, you identify the right people, gather the right information, and resolve the issues identified in the project status meeting. Project status meetings should be held regularly, while project resolution meetings should be held on an as-needed basis.

In a project status meeting, you may wish to discuss and review:

- Updates on progress
- What's gone well? What's not gone so well?
- What are the priorities for going forward?
- Are there any issues we need to resolve going forward?
- If there are important issues, what information is required, who should participate in resolving the issues and when should they be resolved?

In a project resolution meeting, you should:

- Discuss and analyze the information gathered
- Decide on the best possible response
- Act, if you have the authority, or recommend action to others for their approval
- Update an outstanding issues log

Taking the time to hold these review meetings will greatly decrease the normal confusion of the implementation process and will enable you to respond swiftly to issues that, if left unaddressed, may jeopardize success. The next case study is a cautionary tale about what can happen if an organization doesn't use a disciplined review process.

The Columbia Space Shuttle Disaster[31]

On February 1, 2003, the space shuttle *Columbia* disintegrated over Texas during re-entry into the Earth's atmosphere on its twenty-eighth mission. The entire seven-member crew died. There have now been two such losses of a space shuttle and crew. The first was the *Challenger* disaster in 1986, but it appears that the lessons of *Challenger* were not used to improve the organization's review and problem-solving processes.

During *Columbia*'s launch, a piece of foam insulation broke off from the shuttle's external tank and struck the left wing. A thermal protection system panel on the wing was damaged, which allowed the hot gasses of re-entry to penetrate and weaken the wing structure, ultimately causing it to fail. The vehicle became uncontrollable and was destroyed by the extreme heat of re-entry. Most previous shuttle launches had seen minor damage from foam shedding, but some engineers suspected that this time the damage to *Columbia* was more serious. Engineers made three separate requests for Department of Defense (DOD) imaging of the shuttle in orbit to more precisely determine damage. While the images were not guaranteed to show the damage, they would be sufficient to allow a meaningful examination.

NASA management did not honour the requests and in some cases intervened to stop the DOD from assisting. NASA managers limited the investigation, reasoning that the crew could not have fixed the problem if it had been confirmed. They decided to conduct a what-if scenario study more suited to determine risk probabilities of future events, instead of inspecting and assessing the actual damage.

In 2013, retired NASA official Wayne Hale recalled that Director of Mission Operations John Harpold told him before Columbia's destruction:

> You know, there is nothing we can do about damage to the TPS [thermal protection system]. If it has been damaged it's probably better not to know. I think the crew would rather not know. Don't you think it would be better for them to have a happy successful flight and die unexpectedly during entry than to stay on orbit, knowing that there was nothing to be done, until the air ran out?

When the Columbia Accident Investigation Board (CAIB) later issued its report on the accident, one of the issues the agency delved into was the underlying organizational and cultural issues that led to the accident. The report was highly critical of NASA's decision-making and risk-assessment processes. CAIB's investigation revealed how NASA failed to balance safety risks with intense production pressure.

It concluded the organizational structure and processes were sufficiently flawed and that a compromise of safety was expected no matter who was in the key decision-making positions. Under pressure to perform, burdened with a fragmented problem-solving process and lacking a system of cross-checks, NASA was unable to see the big picture and was blind to the risks it was running. Based on the evidence the CAIB gathered, the organization undertook no contingency analysis and lacked effective overlap across different organizational units, so it remained inside the chain of command mentality.

---

[31] Information for this case study is from: The Columbia accident (n.d.). Retrieved from http://www.century-of-flight.net/Aviation%20history/space/Columbia%20accident.htm; Space shuttle *Columbia* disaster (n.d.). In *Wikipedia*. Retrieved from http://en.wikipedia.org/wiki/Space_Shuttle_Columbia_disaster; Woods, D. (2004, December 14); Creating Foresight: Lessons for enhancing resilience from Columbia. Retrieved from http://csel.eng.ohio-state.edu/woods/space/Create%20foresight%20Col-draft.pdf

Partly as a result of this incident, U.S.-manned space flights did not resume until over two years later, and the International Space Station had to operate with a skeleton crew transported and supplied by Russian space vehicles.

Obviously, most failed change programs do not have such tragic outcomes, but all failures have consequences. Anticipating the unexpected and building in review processes can make failures less likely. Objective formal reviews of progress can help change leaders spot problems before they become acute.

Question 9: How can we capture the lessons of change for the next time?

If NASA had learned the lessons from the *Challenger* disaster, perhaps the *Columbia* tragedy would not have happened. However, very few organizations build formal learning programs to capture the lessons of change. Taking the time to gather lessons learned from one change initiative can help the next one proceed more effectively and efficiently. The next highlight outlines a methodology for capturing lessons learned that was pioneered by the U.S. Army and widely adapted for use elsewhere.

Highlight: After-Action Review[32]

Called by some “one of the most successful organizational learning methods yet devised,” the after-action review (AAR) was developed by the United States Army in the 1970s to help its soldiers learn from both their mistakes and achievements. Since then, the AAR has been used by many companies for capturing lessons learned, and has extended to the business world as a knowledge management tool and a way to build a culture of accountability.

An AAR is a structured review or debrief process in which the participants and those responsible for a project analyze what happened, why it happened and how it can be done better. An AAR is distinct from a typical debrief, however, in that it begins with a clear comparison of intended versus actual results achieved. An AAR is also distinct from a post-mortem in its tight focus on each participant’s own role in the project rather than others’. AARs in larger operations can be cascaded so that those at each level of the organization remain focused on their own performance within a particular event or project.

Formal AAR meetings are normally run by a facilitator and can consist of chronological reviews or be tightly focused on a few key issues selected by the team leader. Short-cycle, informal AARs are typically run by the team leader or assistant and are very quick.

To apply an AAR, discuss these questions:

- What did we intend to accomplish?
- What actually happened?
- Why were there differences?
- What worked and what didn’t work? Why?
- What would you do differently next time?
- How can we repeat our successes?

An effective AAR depends on a climate of transparency, frankness and selflessness so that participants can challenge current ways of thinking and perform without fear of blame or reprisal. Everyone, including leaders, must openly share where their own performance may have contributed to team failure and acknowledge the

---

[32] Partially based on: After-action review. (n.d.). In Wikipedia. Retrieved April 4, 2015, from http://en.wikipedia.org/wiki/After-action_review

people and practices that helped create success. When key learnings from AARs are shared, the experiences of one team can benefit the entire organization.

Question 10: What is our communications strategy, and how do we ensure strong communications efforts right to the end?

Effective communications during a change initiative is a key success factor. It is so important that I have devoted an entire paper (to be released later this year) to this topic. In it you will learn:

- A robust communications model to use for change initiatives;
- How to tailor communications to the individual or group you are trying to convince to buy into the change;
- How to answer the why, what and how questions, and deal with concerns; and
- How to use many different methods, from face-to-face meetings to electronic messaging, among other topics.

Question 11: How will we persist, persist, persist?

As former U.S. President Calvin Coolidge once said, "Nothing in the world can take the place of persistence . . . Persistence and determination alone are omnipotent."[33] You might try to remember this famous quote when implementing your own change project.

Many so-called change failures are actually projects that have been partially installed, rather than fully implemented. It takes persistence and patience to see a project through to completion. Take your eye off the ball, and people will readily slip back into their old ways of working.

Another reason why some corporate transformations fail is because, as John Kotter identifies, victory is declared too soon.[34] Changes must become part of the corporate culture, which he comments is "a process that can take five to ten years; new approaches are fragile and subject to regression."[35] Kotter also suggests that management succession must be taken into account so that "the next generation of management really does personify the new approach."[36] Successors need to continue to champion the changes of their predecessors, or the change effort degrades. The following case illustrates how persistence over a twenty-year period was necessary to reform the education system in El Salvador.

Persistence Pays Off in El Salvador Education[37]

In the early 1990s, El Salvador emerged from more than a decade of civil war. Prior to the war, education was concentrated largely on the elites and the capital city, San Salvador. The new Salvadoran Ministry of Education (MINED) was responsible for resuscitating a public education system that had been neglected for years, resulting in low levels of access, enrollment, attainment, equity and literacy. In 1992, MINED was not only organizationally and administratively disorganized, but also physically fragmented as offices were relocated throughout San Salvador. Their relationship with the teachers' union was tense, and both sides often ignored the principle constituents: students.

---

[33] Coolidge, C. (n.d.). Quote retrieved July 2, 2015 from http://www.quotationspage.com/quotes/Calvin_Coolidge.
[34] Kotter, J. (1995). Leading change: Why transformation efforts fail. *Harvard Business Review, 73*(2), 59-67.
[35] Ibid., 66.
[36] Ibid., 67.
[37] Gillies, J. (2010). *The Power of Persistence: Education System Reform and Aid Effectiveness: Case Studies in Long-Term Education Reform*. USAid. Retrieved May 8, 2015, from http://www.equip123.net/docs/E2-Power_of_Persistence.pdf.

Consequently, MINED modernized itself early in the reform process. This resulted in organizational changes within MINED, as well as the creation of new mechanisms for delivering educational services. New budgeting procedures were introduced, and communication and information systems were installed. Operations were decentralized in order to improve day-to-day support to schools through a single conduit—school supervisors—whose selection criteria and position descriptions were rewritten. The minister of education recognized that ownership needed to lie with the general public, so MINED employed a strategy of building broad public consensus to implement its reforms. The ultimate objective was expanding access to primary education, especially for populations in rural areas.

MINED proactively identified and addressed many challenges. In many areas of reform, including student assessment, school management, curriculum reform, decentralization and teacher professional development, the programs MINED developed in the early 1990s proved to be essential building blocks for future reform.

One critical tool established during the process was a strong management information system, which gave MINED informed reviews and allowed them to track progress. But more importantly, MINED established an unusual degree of continuity in its leadership and vision. The first minister of education served for almost a decade and was succeeded by others from her core team. In fact, most of MINED's national leadership over the next twenty years shared a common vision, priorities and commitment to the reform processes.

The results: Enrollment increased, and dropout and repetition rates decreased. Primary net enrollment rates increased to above 90 percent by 2010, secondary net enrollment has improved to 50 percent and adult literacy is reported to be 80 percent.

Persistence and patience are necessary ingredients in change programs because they invariably take longer to implement than optimistic organizational leaders estimate. Just as it takes patience to master a new skill, it takes patience for an organization to adopt new ways. If you realize this fact, you will not be so discouraged when things do not proceed briskly.

In summary, by planning in advance as much as possible and by paying attention to all eleven of the important parts of your change rollout plan, you will increase your chances of a smooth and successful implementation. The summary case study that follows illustrates how one organization meticulously planned an acquisition, one of the most difficult change initiatives, and achieved excellent results.

Case Study: CGI Plans an Acquisition for Success[38]

CGI Background

Founded in June 1976 by Serge Godin, CGI grew from a tiny office with one telephone into an international powerhouse with offices throughout Canada, the U.S. and Western Europe.

The company provides a full scope of IT (information technology) services, including systems integration, consulting and "managed services" (outsourcing). Clients delegate entire or partial responsibility for IT or business process functions to CGI, which promises significant savings and access to the best information technology while allowing the client to keep control of strategic IT and business functions. Over three decades, CGI evolved to become the largest Canadian independent IT services firm and one of the largest in North America.

[38] Information for this case study was gathered by Dr. Carol Beatty and research assistants Lisa Kohlmeier and Kate McKenzie from public documents and from interviews with company officials.

Throughout its existence, CGI has grown by expanding its internal operations and developing a targeted acquisition program. Acquisitions are risky change projects, and synergies, integrations and financial results are hard to achieve. However, CGI has had an exceptional record of acquisition success, demonstrating expertise in integration rarely seen in the corporate world. CGI assimilated twenty-nine companies between 1998 and 2004 alone. This blistering pace was the result of its goal to reach $4 billion in revenue through equal parts internal growth and acquisitions, and growth has continued since then. Its acquisition of AMS (American Management Systems) shows the depth of implementation planning needed to achieve a successful outcome.

CGI Acquires AMS

CGI acquired AMS in May 2004, paying $600 million cash for $925 million in annual revenues. AMS was focused on proprietary business solutions, mainly in government, banking and telecom sectors, so it offered a complementary business and client base that would also double CGI's footprint in the U.S. and Europe. In addition, the cultural fit was considered good, and AMS had some intellectual property that was attractive to CGI.

Prior to the AMS acquisition, CGI had four business units in the U.S., two in Europe and none in Australia. After, it had seven business units in the U.S., four in Europe and one in Australia. True to form, CGI had carefully examined AMS for two years before proceeding, but once the decision was made, CGI quickly did its due diligence, which took about four weeks. CGI used a large check list to study the key points. AMS was a leader in the U.S., with five large units compared to CGI's two smaller units. The acquisition was complex because CGI was acquiring the whole organization, and so the entire AMS organization had to be redesigned and put in place. Despite the careful due diligence, this was not so obvious going in.

AMS had been in business for thirty years at the time of the acquisition. It was a publicly-traded company but it was not making any money, so the previous management had an incentive to sell. Five years older than CGI, AMS was a proven (if not fully profitable) company with a strong culture, so there was a delicate cultural balance to strike, especially because it was being acquired by a foreign company. It was very important to use principles and values to guide the process going forward. CGI had to be careful not to destroy morale within AMS because the majority of its employees were proud of belonging to the company even though they were not entirely supportive of the recent management team, which CGI subsequently replaced. An important part of the integration strategy or "game plan" was encouraging AMS members to focus on the future - growth, business development and doing the right job for the clients - rather than on the past.

Economies of scale were evident in the merged entity. For example, AMS had eight hundred employees in their corporate services division to look after five thousand people in client organizations, whereas CGI had only 400 employees to service 20,000 people. CGI considered AMS to be overstaffed, but the key was to keep the relevant expertise. In general, CGI kept most AMS employees, and in the end, forty-five hundred out of five thousand were offered positions.

The Integration Strategy for Change

On March 10, 2004, the acquisition was announced, and it was completed on May 1, 2004. Senior VP Paul Biron was appointed to manage the transition project team. According to Biron, CGI follows a game plan for every acquisition—one that is created ahead of time during the due diligence process and that drives towards a "target end state," which involves the acquired company's adoption of the "CGI Management Foundation" (See the Appendix for a description of the CGI Management Foundation.) In his opinion, you should start planning integration from day one.

"Acquisitions are complex, so we do them for specific, sound reasons," says Biron[39]. "Sometimes the target company complements what you do and sometimes it has something better than you do. The reasons for an acquisition need to be very well known, and you must stick to those reasons." So once the game plan is created, the transition team sticks to it almost religiously and monitors it afterwards to make sure those reasons materialize. "The whole world will attempt to change your game plan," adds Biron. "Sometimes we can make subtle adjustments, but we stick to it more or less." CGI has completed about seventy acquisitions during its thirty-three year history, and has learned that the recipe for success includes this game plan. The details of this game plan are illustrated in Figure 1.

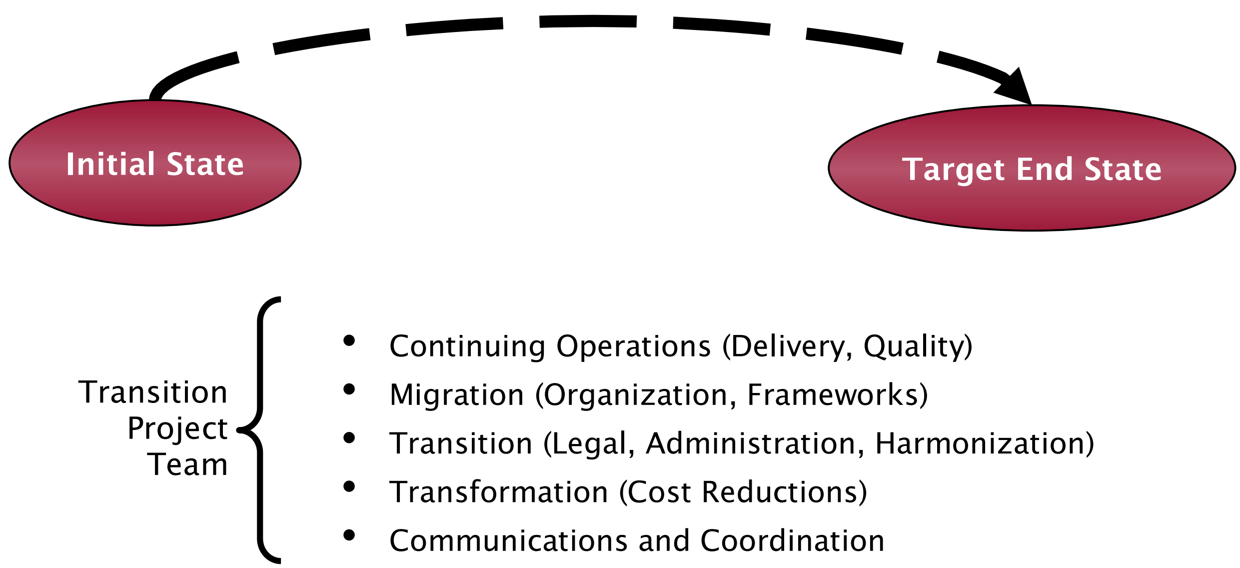

Figure 1: CGI's game plan for acquisition.

To ensure that operations are not adversely affected after the acquisition and to retain clients, CGI paid a lot of attention to picking the right business unit managers during the acquisition process. In many acquisition scenarios, clients can be forgotten and will leave if they think the acquiring company doesn't know what it's doing. "The last thing you need is to lose business during mergers and acquisitions," explains Biron. During the AMS acquisition, CGI picked four business unit leaders from the original AMS, including the president, Donna Morea, and appointed just two from CGI to run the acquired business. There will always be tensions between the heads of the continuing operations and the transition leaders because they focus on different goals, so it is important that the transition leaders have interpersonal and negotiating skills. As Biron puts it: "I was the shock absorber."

While the new business unit leaders manage continuing operations, the transition project team is responsible for migration (organization, frameworks); transition (legal, administration, harmonization); transformation (cost reductions); and communications and coordination. They ensure the newly-acquired business migrates to using the company's common templates for reporting and its common way of doing business. Biron: "The CGI

[39] Quotes from Paul Biron were taken from interviews conducted in March 2010.

Management Foundation is our recipe for success, it's our cookbook, there's only one in all of CGI. Some of it is very technical. I wouldn't say that it's a strong cultural emphasis because when you grow as we do from acquisitions and outsourcing contracts or people join you from a client company, you can't hope to have a homogeneous culture. What you can hope for is to have homogeneous values and homogeneous processes." Here, the emphasis is on coaching. "We help them. We said, 'Here's how we plan and budget, here's how we run the business, here are the templates, the model, and all that'- . . . and we coached them every step of the way."

However, business leaders at CGI do have a lot of leeway and local empowerment outside of these rules of engagement. "The common end state is a way of doing things," says Biron. "It is not culture—that takes a long time to change. Besides, the acquired company usually has a lot of good things that we try to leverage and incorporate—what I call 'gems.'" During the due diligence process, Biron kept a notepad and jotted down the AMS "gems," be they people, processes or other things that CGI should have kept, discussed them with colleagues and came to a common list. This flexibility honours the acquired company and creates goodwill. Focusing on the good things in AMS created a lot of positive energy for the merger.

Transition, transformation, communications and coordination take place concurrently, and each was planned meticulously by the AMS transition project team. The goal was (and is for all of CGI's transitions) for the team to complete all of their duties within twelve to eighteen months, and they were freed 100% from other duties to devote themselves to these crucial activities. The CEO takes acquisitions, especially large ones, very seriously and typically holds reviews on a weekly basis to ensure things are on track. There are a lot of things to plan and monitor. For example, in this case, there were time zone differences between Canada, the U.S., Europe and Australia to deal with for the official announcement, so a video tape of CGI senior leaders was sent to Australia, while teams were put together to make the announcement in the other areas. Timing was very important.

Each area also had to figure out how long it needed to accomplish the integration work and then set out the timeline. As it turned out, Europe saw the benefits of the harmonized package, so the European leaders helped to orchestrate buy-in. This was crucial, as the integration had to contend with different legislation.

CGI used a newsletter format to address the major questions and answers, putting out ten newsletters in the first three months. There was a need to answer the "why" question very quickly.

Almost immediately, work started on preparing compensation packages and selecting the executive team, all in consultation with AMS's current management team, who were recruited to help deliver the change message. By the end of May, key management structures were in place, and on June 1, the road shows started with the purpose of communicating to new members. These were finished at the end of July. There were fourteen road shows in the U.S., the format of which was a one-hour presentation with cocktails and discussion afterwards.

Almost concurrently, the company began holding information meetings, called "Harmonization" sessions, and they held sixty in all. ("Harmonization" generally means that the total CGI HR benefits package will be equal to or better than the package from the acquired company.) These sessions laid out the general benefits packages to smaller groups, and included more details and lots of answers to the "me" questions. For example, CGI's work week, vacations, number of holidays, schedules and so forth could be different from those of the acquired firm, so those differences were explained in the sessions. The last of the Harmonization sessions were held at the end of July. After each session, new members got a personal letter with a summary of the new conditions of employment, benefits, salary, etc. It was also considered important to thank the new members for their previous hard work and commitment.

As Biron explains: “The integration across so many jurisdictions was a big challenge.” The top AMS executives needed to be oriented immediately, so a two-day seminar for the top eighty leaders took place directly after the closing. Serge Godin and senior management from CGI were all present at these orientation sessions to give the “what, how and why” of the integration, including a review of the complete management system, guidelines, ratios, financials and the human resources systems of CGI. This program sped up the change integration process and allowed time for new members to ask questions, which enabled the newly-acquired AMS managers to become informed ambassadors for the integration. This seminar also reviewed the complete management system, guidelines, ratios, financials and Human Resources systems of CGI (the CGI Management Foundation).

One of the benefits of the new merged entity—less travel—was a good selling point. Many AMS people did a great deal of travelling throughout the U.S., which had caused retention problems. With CGI’s organizational model, however, there was far less travelling, and members’ business units were close to home.

Cost reductions via downsizing also played a role in the acquisition. The company dealt with any downsizing quickly, gave those being downsized a severance package and ensured they were treated well. They were informed individually or in very small groups by both their supervisor and a CGI official.

Monitoring the transition to the end state was also an important part of the game plan. For a period of twenty-four weeks, conference calls were held to give status reports. A “dashboard” measured the synergy levels achieved each week until completion. Finally, about one hundred people, half from each organization, received a framed plaque as a memento and thank you for their efforts at making the integration successful. “We call it a merger, not an integration, and it was team work, team accomplishment.[40]”

Systems often pose difficult challenges, and that was true in this case. In response, CGI used temporary systems until CGI’s own system could be implemented. They also thought it was important to get signage up quickly so that they could quickly change daily reminders. Early on, the two marketing areas got together to investigate the strengths each predecessor had in the various industry sectors so that the integrated marketing department had an idea of what each area offered. This allowed them to cross-sell their now-expanded repertoire of services.

Near the end, the transition team interviewed thirty top senior people, fifteen from CGI and fifteen from AMS, to learn what worked well and what could be improved for the next time. The suggestions formed part of the merger’s post mortem (see “Lessons Learned” below). The entire AMS transition took roughly six months.

The results speak for themselves: Revenues grew from $3.7 billion in 2005 to $3.83 billion in 2009, and in the same time period, profits grew from $219 million to $315 million and earnings per share from $0.5 to $1.02. Since the acquisition of AMS in 2004, CGI has made two more very large acquisitions, both integrated successfully using exactly the same approach: Stanley Inc. in 2010 and Logica plc in 2012, bringing the total number of CGI members to over 68,000 worldwide.

Lessons Learned

CGI tries to learn from past acquisition mistakes so that they aren’t repeated. One of the biggest lessons learned has been how important it is to integrate people into the merged company, and this has become a core competency of the company.

[40] Paul Biron, personal communication

Integrate the Leaders

One early mistake in a previous acquisition was keeping a senior leader of an acquired company around who had his own business model. When he continued to operate as in the past, which did not align with the CGI Management Foundation, the company did not confront the issue. As a result, CGI lost business, lost people and eventually lost the leader as well. To add insult to injury, the situation also created conflicts with CGI members, and some left when it affected them. The company stated that it would never allow this to happen again.

Use Appropriate Evaluation Criteria

Because CGI aims to deepen its business in all of its geographic areas and in all five of its chosen vertical areas, it seeks out acquisitions in these areas on a regular basis. Nonetheless, CGI evaluates each potential acquisition candidate from several other key perspectives: cultural fit, contribution to the bottom line and synergy with CGI's existing business.

Speed

CGI's rule is the sooner the better when it comes to integration. After the announcement of the acquisition has been made, CGI puts its change plan into immediate action. The objective is to communicate with the new members and clients within the first week of implementation.

Understand and Involve Key Players from the Target Company

The acquiring company must understand the complexity of the target organization and involve the right players. Then it needs to establish a global timeline focussing on the interdependencies between the two organizations. It is like building a business case—the functional leaders and operations work towards an end goal. As well, different areas of the world need to be treated individually. For example, in Europe the benefit and compensation models are very different from the North American ones, and working conditions are part of European contracts. This was a steep learning curve for CGI, and the lessons were to meet with the new leadership team, discuss and adapt the offer, and to work in cross-functional teams, not silos.

Explain Patiently

The acquiring company must be committed to anticipating potential questions and patiently explaining answers. The message should be that all questions will be answered in time, and then it must honour that commitment. Surveys should be given to get feedback about the change process and its progress. At three months, a comment might be, "I would say it is not going well," but at six months, the feedback is often, "Now I can say this is a process that worked." Patience is essential.

Pay Attention to the People

The cultural differences can be great, especially in foreign acquisitions, so the acquiring company must be dedicated to listening and understanding issues on the people side. For instance, attitudes can be very different in northern and southern Europe. You might often hear, "No, that won't fly" from northern Europeans, but from southern Europeans, the attitude is more along the lines of: "Well, you have to appreciate this issue is difficult for us, but we will make it work." The new members need to share their experiences. The acquiring company must figure out if these issues are just resistance (noise) or real, potential problems.

Treat People as a Valuable Resource

A key danger in the IT outsourcing industry is that the personnel taken in from client companies may feel betrayed by their home company. But CGI explains to these new members that they had been considered a cost at their previous company, whereas with CGI they are core; they are CGI's business and are made to feel appreciated. The attitude is that new people add value in terms of skill sets, client bases and complementary competencies. It becomes a win-win situation. The same holds just as true for acquisitions.

Use a Documented Process

Keep striving to codify the integration process, and aim at generating a transformation framework that is fully documented and available in hardcopy. Something new is learned with every new acquisition, and so the framework must be continually refreshed. For example, ask how quickly you should provide email addresses and access to the intranet for new members. These types of questions can seem mundane in the larger integration effort, but they are important to new members. The acquisitions should be treated like projects and managed just as carefully. This means more measures, more rigour and discipline, and strict adherence to integration goals. But on the other hand, remember that cultural change is slow and cannot be forced.

In Summary

The implementation phase of this acquisition was planned meticulously, and those involved concentrated intensely on the people dimension, specifically on their new employees' questions and needs. The acquisition leaders tried to anticipate every issue and prepared answers for each. Of course, while planning is important in all types of change projects, it is crucial in mergers and acquisitions, which are notorious for their failure rates. A joint study by *Businessweek* and The Boston Consulting Group of three hundred and two major acquisitions made between 1995 and 2001 found that 61 percent destroyed shareholder value. The average return was 4.3 percent below industry peers and 9.2 percent below the S&P 500 the year after the deal.[41]

Since the acquisition of AMS in 2004, CGI has made two more very large acquisitions, both integrated successfully using exactly the same approach: Stanley Inc. in 2010 and Logica plc in 2012, bringing the total number of CGI members to over 68,000 worldwide.

Conclusion

Based on research, we know that the "how" stage of a change implementation is highly associated with achieving success, yet because there are so many details to take care of, managing the "how" of change is both hard and tough work. Tough because of the attention to detail that is necessary, but also because of the intense level of human interaction that is part of a rollout plan. Those involved with formal project planning may assume easy human compliance with the change, but those dedicated to sophisticated change rollout planning will never make such assumptions. Plan the rollout meticulously, deal with each of the eleven questions in detail, and exponentially increase your chances of change success.

---

[41] Henry, D. (2002, October 13). Mergers: Why most big deals don't pay off. Businessweek. Retrieved May 8, 2015, from http://www.bloomberg.com/bw/stories/2002-10-13/mergers-why-most-big-deals-dont-pay-off

Appendix

The CGI Management Foundation[42]

A key to CGI's outstanding acquisitions success is the "CGI Management Foundation," which defines best practices and a consistent set of business processes. The following excerpt from the document entitled the "Fundamental Texts" of the company defines the CGI approach to acquisition integration:

> To maintain healthy and sustained growth, it is important that the companies or groups that join our ranks be welcomed and well integrated into our operations. In order to succeed in its growth strategy, CGI has developed its integration capability into a core competency. This capacity to integrate is based on three main axes. The first axis is aimed primarily at **welcoming newcomers**, answering their legitimate questions, confirming their new conditions of employment and above all, allowing them to discover CGI by sharing its dream and values. The second axis is directed towards **establishing the various synergy goals** linked to an acquisition or an outsourcing deal. This encourages all parties to understand that this combination of strengths offers new, stimulating opportunities. The third axis is aimed at assuring the organizational transition and a **rapid transfer to the CGI Management Foundation**, especially with regards to the Quality System.

[42] From documents provided by Paul Biron.

About the Author

Carol Beatty is former Director of the Industrial Relations Centre at Queen's University at Kingston, Ontario, and an Associate Professor with Queen's School of Business, where she has taught in undergraduate, graduate and executive education programs.

An acknowledged expert on change management, strategy development, high performance teams and facilitation, Dr. Beatty focuses her consulting on human and organizational issues in modern organizations. She has studied the implementation of change for over 25 years, including technological change, strategic change, mergers and acquisitions, structural change, and employee buyouts.

An active researcher, she is currently completing a multi-faceted study on the key success factors of change management, comprised of a large-scale survey and several detailed case studies. She is also well-known for her major study of high-performance teams in which she isolated the three skill sets teams need to develop to be effective. Dr. Beatty's publications have appeared in such journals as the *Sloan Management Review*, *Human Relations*, the *California Management Review* and the *Business Quarterly*. She completed her MBA and PhD at the Ivey School of Business at the University of Western Ontario.

Carol is a sought-after consultant and speaker who has helped many private and public sector organizations become more effective. She is a trained facilitator in Future Search (Weisbord and Janoff) and Whole System Change (Dannemiller Tyson).

Recent publications include *Building Smart Teams: A Roadmap to High Performance Teams* (2004 with B. Barker), and *Employee Ownership: The New Source of Competitive Advantage* (2001 with H. Schachter). In addition, Dr. Beatty has authored several complex multimedia business simulations used in high-level human resources education: Panorama at the Crossroads, Change-O-Meter, and Harmon Health.

Carol can be contacted at: carol.beatty@queensu.ca

References

After-action review. (n.d.). In Wikipedia. Retrieved April 4, 2015, from http://en.wikipedia.org/wiki/After-action_review

Beatty, C.A., & Barker-Scott, B. (2005). *Building smart teams: A roadmap to high performance*. Thousand Oaks, CA: Sage Publications.

Beatty, C.A., & Coates, M.L. (1997). *Employee ownership: How do you spell success?* Kingston, ON: IRC Press.

Beatty, C.A., & Schachter, H. (2002). *Employee ownership: The new source of competitive advantage*. Etobicoke, ON: John Wiley & Sons.

Beatty, C.A. (2015). The Who of Change. Retrieved May 22, 2015, from http://irc.queensu.ca/articles/who-change

Beatty, C.A., Kohlmeier, L. & McKenzie, K. (n.d.) Personal interviews with CGI company officials for Case Study: CGI Plans an Acquisition for Success.

Beatty, C.A. (n.d). Personal communications with Paul Biron.

Coolidge, C. (n.d.). Quote retrieved July 2, 2015 from http://www.quotationspage.com/quotes/Calvin_Coolidge.

Coyle-Shapiro, J. (1999). Employee participation and assessment of an organizational change intervention: A three-wave study of total quality management. *The Journal of Applied Behavioral Science, 35*(4), 439-456.

Dewhurst, M., Guthridge, M., & Mohr, E. (2009, November). Motivating people: Getting beyond money. McKinsey Quarterly. Retrieved April 5, 2015, from http://www.mckinsey.com/insights/organization/motivating_people_getting_beyond_money

Eriksson, P.E. (2010). Improving construction supply chain collaboration and performance: A lean construction pilot project. *Supply Chain Management, 15*(5), 394-403.

French, L., Beatty, C.A. & MacLeod, K. (2003). Good Form? Bad Form? The Introduction of a New Client Assessment Technology. Queen's University IRC: Kingston, ON.

Gillies, J. (2010). *The Power of Persistence: Education System Reform and Aid Effectiveness: Case Studies in Long-Term Education Reform*. USAid. Retrieved May 8, 2015, from http://www.equip123.net/docs/E2-Power_of_Persistence.pdf

Heintzman, R., & Marson, B. (2000). People, service and trust: Is there a public sector service value chain? *International Review of Administrative Sciences, 71*(4), 549-575.

Henry, D. (2002, October 13). Mergers: Why most big deals don't pay off. *Businessweek*. Retrieved May 8, 2015, from http://www.bloomberg.com/bw/stories/2002-10-13/mergers-why-most-big-deals-dont-pay-off

Hrebiniak, L. (2005). *Making strategy work: Leading effective execution and change* (pp. 200-201). Upper Saddle River, NJ: Pearson Education, Inc.

Human Capital Institute (2009). The value and ROI in employee recognition: Linking recognition to improved job performance and increased business value—The current state and future needs

Hung, D., Wong, E., Anderson, K., & Hereford, J. (2013). Ready to change? The role of employee engagement, ownership, and participation in managing change. *Clinical Medicine & Research, 11*(3), 159.

Hunt, S. (1999). *The future of the Northumberland Family Resource Programs—Successful merger or perpetual disaster?* (Master's essay). Queen's University, Kingston, ON. Retrieved from Queen's University School of Policy Studies.

Keller, S., & Aiken, C. (2000). The inconvenient truth about change management. *McKinsey Quarterly*. Retrieved March 5, 2015, from http://www.mckinsey.com/app_media/reports/financial_services/the_inconvenient_truth_about_change_management.pdf

Kotter, J. (1995). Leading change: Why transformation efforts fail. *Harvard Business Review, 73*(2), 59-67.

Lines, R. (2004). Influence of participation in strategic change: Resistance, organizational commitment and change goal achievement. *Journal of Change Management, 4*(3), 193–215.

Lopez-Pacheco, A. (2013, December 23). How Great Western Brewing has benefited from its employee-owned business model. *Financial Post*. Retrieved April 5, 2015, from http://business.financialpost.com/2013/12/23/how-great-western-brewing-has-benefited-from-its-employee-owned-business-model/

Machiavelli, N. (1532). *The prince*. Quote retrieved May 8, 2015, from http://www.brainyquote.com/quotes/authors/n/niccolo_machiavelli.html

Marks, M., & Mirvis, P. (1992). Rebuilding after the merger: Dealing with "survivor sickness." *Journal of Applied Psychology, 21*(2),18-32.

Mauboussin, M. J. (2009). *Think twice: Harnessing the power of counterintuition*. Boston, MA: Harvard Business School Press.

Mercer Delta Consulting (2000). Transition leadership: A guide to leading change initiatives, 5.

Patwell, B., Gray, D., & Kanellakos, S. (2012). Discovering the magic of culture shifts: A case study in large scale culture transformation. *OD Practitioner, 44*(1), 11-17.

Pustkowski, R., Scott, J., & Tesvic, J. (2014, August). Why implementation matters. McKinsey & Company. Retrieved April 5, 2015, from http://www.mckinsey.com/insights/operations/why_implementation_matters

Queen's IRC Blueprint for Organizational Effectiveness. (2011). Retrieved May 8, 2015, from http://irc.queensu.ca/articles/queens-irc-blueprint-organizational-effectiveness

Ryan, J. E. (2004). The perverse incentives of the No Child Left Behind Act. *N.Y.U. Law Review, 79,* 932-989.

Sagie, A., & Koslowsky, M. (1994). Organizational attitudes and behaviors as a function of participation in strategic and tactical decisions: An application of path-goal theory. *Journal of Organizational Behavior, 15*(1), 37–47.

Space shuttle Columbia disaster (n.d.). In Wikipedia. Retrieved April 5, 2015, from http://en.wikipedia.org/wiki/Space_Shuttle_Columbia_disaster

The Columbia accident (n.d.). Retrieved April 5, 2015, from http://www.century-of-flight.net/Aviation%20history/space/Columbia%20accident.htm

The coming age of organizational resilience. (n.d.) *The Free Library.* (2014). Retrieved May 08 2015 from http://www.thefreelibrary.com/The+coming+age+of+organizational+resilience.-a020853564

Thackray, Y. S. (2000). The management of change: The movement from a functional hierarchy to a team-based structure. Unpublished paper. Queen's University School of Graduate Studies—Industrial Relations, Kingston, ON.

Whitmore, J. (2001). *Coaching for performance* (3rd ed.). London, UK: Nicholas Brealey Publishing.

Woods, D. (2004, December 14). Creating foresight: Lessons for enhancing resilience from Columbia. Retrieved April 5, 2015, from http://csel.eng.ohio-state.edu/woods/space/Create%20foresight%20Col-draft.pdf

Industrial Relations Centre (IRC)
Queen's University
Kingston, ON K7L 3N6
irc.queensu.ca