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Manage Paradigmatic Change

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Managers who rise to run a company choose to maximize the long-run health of the company by managing fundamental, paradigmatic change, says Jonathan Byrnes.

by Jonathan Byrnes

What would you do in this situation?

You've been given the choice assignment to set sales goals for an important market segment, but your analysis convinces you that the sales process itself is flawed and needs sweeping changes.

How would you convince the managers and division heads that the jobs they have been doing for years were unproductive, and they never saw it? What would you do if they "stonewalled" you? Who would you call? Who would you write? What would you say? How could you overcome this seemingly no-win situation?

Every week, I get e-mails from readers, former students, executive program participants, and client managers asking questions like these. They see a better way to do things, but feel frustrated in getting the company to change. And a manager with great insight who can't produce successful change is ineffective.

Here's another way to frame the question: What is your responsibility as an employee?

This question may sound simple and self-evident, but like all basic questions, it really is neither. Is it doing what your manager specifies? Even if there is a better way to do it, and your manager won't budge? Even if you feel that the company needs something different, but your job is to do things the way they have always been done?

The answer I give is that your responsibility is to maximize the long-run health of the company. Understanding what this means is critical to managing change effectively.

In most companies, you must balance long-term renewing change with the need to deliver the regular, short-term results your shareholders require. You might think of this as "changing the airplane's propeller in mid-flight." Ultimately, managing this balance successfully is the key to rapid career advancement and personal job satisfaction.

Embedded business practices

First and foremost, companies are about people, in the sense that asset productivity, financial results, and all other measures are the result of what the people in a company believe, think, and do. People are able to work in organizations because they internalize well-structured ways to think about things and do things, like knowing which customers the company sells to and how it sells to them. These constructs become very firmly rooted in an organization and are very difficult to change. Often, they are so pervasive that they simply disappear from sight and operate at a tacit level as "the way we do business."

The "true north" in any management process is to maximize the long-run health of the company.

This actually is a strength, not a weakness. Without these constructs, companies would be chaotic, with everyone essentially paralyzed trying to figure out what to do next. However, times change and, over time, companies need to change in response. The problem is that these constructs are very "stubborn" and difficult to change.

Most managers run into trouble because they are used to managing tactical change, i.e., tuning up existing business processes, and they try to apply the same techniques to more basic change. This is the problem the manager faced in the situation I described earlier. As you turn from managing tactical change to creating paradigmatic change, your change management process needs to be fundamentally different.

In my column, ("The Challenges of Paradigmatic Change"), I described the importance and nature of paradigmatic change, transforming a company's tacit set of policies and constructs, and I gave some guiding principles for change management. In this column, I focus on the day-to-day activities you need to adopt in order to be effective at changing "the way we do things."

Changing "the way we do things"

In last month's column, ("New CIO Role: Change Warrior"), I described the importance of integrating a scan of new value opportunities with a systematic understanding of organizational readiness to change in order to create practical strategic IT plans. This perspective is critical for any manager facing the prospect of quantum change.

Managing quantum change is a complex, daunting process. It is very important to bear in mind that the "true north" in any management process is to maximize the long-run health of the company. In order to reach this objective, a manager can frame an effective change process using six principles.

1. Identify the underlying problem. A company's set of policies and core organizational constructs typically reflect the company's history. If you really want to understand most companies, look at their situation three to five years ago. What they're doing today probably is an extension of the policies they developed in the previous period in response to the earlier situation. This set of policies most often exists at a tacit level, generally unseen, rarely examined, but pervasively influential.

By analyzing this tacit set of policies and constructs, a manager can identify why a particular disconnect occurs between "the way we do things" and "what we need to do today." Chances are that the old policy is not "bad," it is simply obsolete. If you can explain systematically why the changing business needs caused the gap to develop, the change process becomes depoliticized.

For example, I'm familiar with the case of a retailer that was dominant in its business about five years ago. In this situation, the retailer did not have to make difficult merchandising decisions in areas like product lifecycle management and assortment planning that a retailer in a hotly competitive business would have to make. As time went on, the business became much more competitive, and the retailer lost ground quickly.

The core problem was the growing disconnect between the retailer's core merchandising decision-making processes and the new business needs. Because these processes were so fundamental and pervasive, the situation was literally invisible to most managers.

2. Make relationships before you need them. This is critical. The underlying problem in the situation I described at the beginning of the column is that once the analytical process was completed, it was almost too late to start the change process.

It is very difficult for busy managers to take the time to develop relationships with their key counterparts in other departments of the company before the relationships are needed. Yet this is precisely the most effective precondition to successful change management.

There is an old adage in ship chartering that you shouldn't talk business until the third lunch. There is a strong grain of truth in this, and it holds an important key to effective management. Effective relationships are best developed in social situations, like over lunch or in after-work get-togethers, and not in structured business meetings. In an informal context, you can get to know your counterpart's concerns and hopes. With this knowledge, you can find ways to support your counterpart and even to frame your initiatives into win-win situations that incorporate your counterpart's own change initiatives.

With a network of relationships, and a history of working cooperatively to help others in their own change programs, you will have receptive ears and the support you need throughout the company to effect quantum change.

3. Involve others in the analysis. In tactical change projects, managers often do the analysis themselves, or use a small team. Then they produce a business case and use it to convince others to accept the results. This doesn't work in paradigmatic change. In quantum change projects, it is mandatory to involve a broad range of counterpart managers in the analysis. This is true for two reasons.

First, the other managers may well have important needs and perspectives that have to be accommodated for the initiative to succeed.

Second, they need to be immersed in the data that show the need for sweeping change. They need time and understanding in order to break down their tacit constructs and reconstruct a new way of doing things. Unless they themselves have gone through this "conversion" process, they won't be willing to change fundamentally the way they do business. Top management will be very sensitive to the depth and degree of buy-in of those who will have to live with the change.

4. Create a showcase. A showcase is a limited-scope exploration of possible new ways of doing business. In the case of the new sales process, it may well be possible to experiment with new ways of doing business in one of the company's smaller territories, or in a few smaller accounts. This allows you to develop new business processes, to "learn by doing," without endangering the company's results.

A showcase is very different from a pilot. A pilot project usually follows a commitment to roll out a new way of doing business; the pilot itself allows management to try out and tune up the process before rollout. A showcase, on the other hand, is an open-ended opportunity to try new things and to learn, without a previous commitment to spread the new practices.

A showcase is less threatening, and much more effective. Once the new business practices are displayed in a working situation, managers throughout the company can "kick the tires."

5. Win the war, not every battle. Individual business decisions are almost always part of a series, rather than stand-alone, make-it-or-break-it situations.

In a paradigmatic change initiative, timing is everything. It may take a few decisions that go against the direction you are advocating to produce the evidence you need to convince people that your direction is correct. Sometimes, in the process of educating people, it simply takes time for a new way of thinking to sink in. Sometimes, you simply have to wait for the timing to be right.

Effective relationships are best developed in social situations.

If you fight every battle to the death, you won't be around to win the war.

6. Keep several balls in play. Change projects have their own rhythm. Sometimes, they stall simply because the organization is not ready to digest the change. If you try to force the issue, the organization will turn on you.

The key is to have several change management projects going at the same time. That way, if one stalls, you can try to move another up the field. By the time that project stalls, the first may well be ready to move forward. Having several projects going at the same time takes the pressure off you to force a decision before its time.

It is especially effective to develop in parallel several change projects focused on different aspects of the same underlying problem. That way, when you achieve success in one area, it will enhance the prospects of success in the others.

Making change stick

At the end of the day, the acid test for whether change will stick is whether top management is willing to adjust the company's key behavioral drivers, like planning, resource allocation, and compensation, to move the company in the new direction. If you can change these, you will cement the new paradigm in place. If not, the company will revert to the old way of doing things.

Define your job broadly

There is an important difference between proximate actions and fundamental actions. For example, if you're managing inventory, you can optimize the inventory level given the variance in the order pattern. Alternatively, you can define your job more broadly and seek to understand and change the organizational factors that determine the variance.

When you optimize the inventory, you're managing change at the level of proximate actions. This is tactical change. But when you change the underlying mechanism, you're acting at a more fundamental level, and you're engaging in paradigmatic change.

What is your responsibility as an employee? It's up to you. You can choose to define your job in a proximate, tactical way, producing results consistent with the context you've been given. Or you can choose to define your job more broadly, focusing on the fundamental, paradigmatic opportunities that will have a major impact on the business.

Ultimately, the managers who rise to run the company are those who choose to maximize the long-run health of the company by becoming expert at managing fundamental, paradigmatic change.

See you next month.

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