Getting Organizational Change Right

Five Strategies for Effective, Successful Transitions

Scott Sonenshein[1]

> **"The [Union Carbide Bhopal] plant's operating manual for methyl isocyanate offered little guidance in the event of a large leak. After telling the operators to dump the gas into a spare tank if a leak in a storage tank cannot be stopped or isolated, the manual says: 'There may be other situations not covered above. The situation will determine the appropriate action. We will learn more and more as we gain actual experience.'"**
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> **Carbide is right when it says experience is the source of learning, but it is wrong when it says, "The situation will determine the appropriate action." People often don't know what the "appropriate action" is until they take some action and see what happens.[1]**

The 1987 gas leak at the Union Carbide facility in Bhopal, India, referenced above killed over 3,500 people and left an estimated 40,000 seriously injured. One contributing factor scholars point to in explaining the disaster involves the way leaders interacted with employees.[2] Union Carbide management labeled the Bhopal facility as unimportant, an attitude made obvious by the nonchalant view of potential problems presented in the manual described above, yet they continued to operate it. The Bhopal employees, in turn, "enacted" this unimportance by committing errors, maintaining sloppy work processes, and ignoring critical details. Whatever ideas for improvements or concerns for safety they may once have harbored had likely been long dismissed from everyone's minds. The catastrophe was set in motion way before it tragically occurred because the Union Carbide leaders adopted a set of assumptions about the Bhopal workplace that became truer through the very act of assuming them to be true. Put another way, leaders presumed the facility did not warrant their attention or care, cuing the workers to presume the plant likewise did not warrant their attention or care. Consequently, the organization changed for the worse, something the deadly result made painfully obvious.

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Most organizations recognize that change is necessary. Strategies need to be revised. New technologies must be adopted. Group-level processes require updating, to name just three of the many forms change can take. In contrast to the Bhopal example, this recognition is usually positive and forward-looking. In practice, however, organizations that set out to remake themselves for the better frequently have great difficulty in realizing their objectives. Researchers estimate that roughly 70 percent of organizational change initiatives do not meet their stated goals. How could something so vital to organizational functioning and so common miscarry so often? Simply put, these initiatives fail because leaders embrace the wrong assumptions about change.

In today's turbulent environment, the stakes for getting organizational change right are extremely high. Every year firms enter and exit *Fortune*'s list of the 500 largest companies due to their success or failure in responding to external events or developments that alter their functional environment in a way that requires evolution and/or adaptation to maintain or improve their competitive position. Nowhere are the stakes for getting this response right greater than in the energy industry, where major shifts outside the control of organizations may require them to rethink strategies, practices, policies, procedures, and even cultures dramatically. Consider the following questions energy firms will need to resolve through adjustment and transformation in coming years:

- The energy industry workforce is aging and the sector faces a looming wave of retirements that will deplete its ranks and compromise ongoing operations. While energy executives have anticipated this for years, are these organizations actually prepared for a labor force that will look very different in the future?

- Accidents like Bhopal, the Exxon Valdez, and Deepwater Horizon put the harsh spotlight of public and political attention on energy companies. Will firms apply the lessons from previous mistakes and near misses wisely as they strive to shape their cultures and operations to prevent such high-consequence disasters?

- Thanks to technology improvements, firms can now find and retrieve previously inaccessible energy resources. At the same time, this technology has created environmental and organizational challenges such as how to scale organizations quickly to capitalize on new opportunities while maintaining high standards for protecting workers and the environment. Will energy companies be flexible and nimble enough to use technological advancement responsibly to the best advantage for themselves and their customers and shareholders?

- As we saw as recently as 2014 and 2015, commodity prices can decline as fast as they rise. How resilient will these organizations be in adapting to the constantly changing market conditions ahead?

- Sociopolitical dynamics around the world and global issues such as sustainability have become increasingly important to the energy sector. Will organizations view developments in these arenas as threats or opportunities? Their actions in this respect could dramatically influence their perceived legitimacy, their ability to enter new markets, and ultimately their performance. Adopting a threat mentality, for example, often inhibits positive organizational change because it entrenches the status quo and constrains innovation.

Given these critical challenges, it is essential for leaders to enhance their organization's capacity to evolve constantly. This paper presents five research-generated prescriptions for how best to build effective organizational capabilities for keeping pace with an environment that changes rapidly and unexpectedly:

- Strategy 1: Treat Employees as Resources, Not Resisters
- Strategy 2: Balance Decision Making with Sensemaking
- Strategy 3: Stop Focusing on Planning
- Strategy 4: Use the Power of Stories
- Strategy 5: Don't Forget the Frontline

Strategy 1: Treat Employees as Resources, Not Resisters

Researchers find that about 20 percent of employees initially resist change. Organizational leaders seem to believe that percentage is much higher. They typically assume many employees act in opposition to change. They view pushback from workers as irrational and dysfunctional and see themselves as "undeserving victims of such responses."[3] Any disagreements with management get classified as opposition. This mindset brushes aside valid employee concerns even though these individuals, as the ones who will implement change, often have valuable ideas about how best to do so. An even more detrimental effect of immediately labeling employee misgivings toward change as disapproval is that, by doing so, leaders create the very resistance they seek to avoid. This sets up an inevitable tug-of-war between agents trying to foster change and employees responsible for effecting change. Employees, who might want to voice legitimate concerns, get silenced or dismissed. Their morale suffers and they no longer want to support a change initiative. Leaders, in turn, lose the opportunity to hear and possibly benefit from employee ideas.

Making changes successfully requires a simple but important shift from viewing employees as resisters to viewing them as resources. This is easier said than done. Leaders predominantly focus first on devising plans to change their firms' operational and/or strategic direction and second on disseminating those plans to employees. Commonly used models of change, such as those based on John Kotter's *Leading Change*[4], stress the importance of creating urgency to shatter outdated or misaligned meanings tied to an organization's status quo, followed by developing and disseminating new meanings expressed in a vision for change. As Kotter explains in a 2011 *Forbes* article,

> A great change vision is something that is easy for people to understand. It can be written usually in a half page, communicated in 60 seconds, is both intellectually solid but has emotional appeal, and it's something that can be understood by the broad range of people that are ultimately going to have to change—and that could be a secretary or an executive, it could be somebody from Germany or from the United States. Which makes it easy to communicate and to communicate it in a way that people will "get it," if you will, and will, if you do it right, buy into it.[5]

The flaw in this approach is it is one directional. Managers, no matter how creative or innovative they are in creating a vision, are still telling employees how things will be without soliciting or considering their input. This way of treating employees traces back to an underlying logic that almost all scholarly and practitioner models of change endorse. Psychologist Kurt Lewin is credited with introducing a remarkably simple yet incredibly influential basic theory of how to enact change: unfreeze an existing state, move to a new desirable state, and then refreeze the new state.[6] Lewin's ideas are very important to managing change despite not being directed specifically at organizational transformations.[7] The problem with the "unfreeze/refreeze" approach, however, is that those who adopt it frequently overlook vital employee contributions.[8] Indeed, Lewin-oriented change models often view employees as individuals who need to be transformed from blind followers of the existing status quo to blind followers of a new status quo. Ironically, it is often frontline employees who, rather than being blind, detect problems long before top managers become aware of them. By treating employees as resources and not resisters, leaders can better and more productively engage and rely on their frontline employees as they implement change.

In *Organizational Communication: Theory, Research, and Practice*, authors Jason Wrench, Narissra Punyaunt-Carter, and Mark Ward, Sr. draw on a 1965 *Harvard Business Review* article by Raymond Miles to emphasize the importance of making this shift in thinking:

> First and foremost, Miles' human resource theories posit that all workers are reservoirs of untapped resources. Miles believed that each and every worker comes into an organization with a variety of resources that management can tap into if they try. "These resources include not only physical skills and energy, but also creative ability and the capacity for responsible, self-directed, self-controlled behavior."[9]
>
> Under this perspective then, managers should not be focused on controlling employees or getting them to "buy-in" to decisions, which are the hallmarks of scientific management and human relations. Instead, the primary task of management should be the creation of a working environment that fosters employee creativity and risk taking in an effort to maximize and tap into the resources employees bring to the job. As such, communication in this perspective must be constant and bi-directional and participation in decision-making must include both management and workers. Miles explains that his human resources model "recognized the untapped potential of most organizational members and advocated participation as a means of achieving direct improvement in individual and organizational performance."[10]

Many firms have embraced the "employee as resource" concept by encouraging and supporting employee resource groups or ERGs. ERGs are organizationally supported groups of employees drawn together by characteristics they have in common. (Pacific Gas and Electric, for example, has 10 ERGs.) Such groups can and do have positive impacts on business operations, talent acquisition and development, and workplace diversity and inclusion. ERGs at Boeing, for instance, work on projects to improve engineering or manufacturing processes, and ERGs at Southern California Edison "play an informational role in educating their communities about the company's initiatives and programs."[11]

As the ERG experience has shown, leaders that adopt the "employee as resource" attitude discover that employees often have many ideas about how to implement change as well the skills needed to make change successful. But employee buy-in to change is far from automatic. Initially, most workers neither support nor resist change. This neutral position can shift quickly, however, toward resistance if the tack leaders take in implementing change is one that makes their expectations of resistance clear. Employees can become ardent supporters of change just as easily, however. Research shows that many employees routinely want change and can provide the motivational resources needed to implement change effectively.[12] (See the "Explaining Employee Engagement with Strategic Change Implementation" sidebar.) For this to happen, leaders must first embrace employees as capable change implementers rather than running roughshod over them as obstacles to new ways of doing things. Furthermore, even when employees resist change, managers can transform this resistance into a critical resource. Research by Jeff and Laurie Ford finds that resistance keeps the conversation alive about change, disciplines managers to think about "the why" of change, gets employees involved, educates people about past change events, and harnesses the energy of those outspoken against the change.[13]

<table>
<tr><th colspan="2">Explaining Employee Engagement with Strategic Change Implementation[1]</th></tr>
<tr><th colspan="2">Research Issue and Objective</th></tr>
<tr><td>Issue: Strategic change research and practice traditionally favors change strategy formulation over implementation, emphasizing the actions of top managers that influence strategy formulation while overlooking the crucial role played by other managers and employees. This "short shrift" with regard to examining employee roles in strategic change has promoted a general assumption that the dominant employee response to change is resistance.</td><td>Objective: To understand how employees' interpretations of strategic initiatives affect change, we draw on research that posits that individuals can adapt positively to major life changes through their meaning making. Employees who view change as part of a broader strategy for the organization and who find the often hidden benefits of change can adapt to change more effectively. This approach provides a foundation for identifying and explaining the psychological mindsets and interactions that can help employees overcome difficulties in implementing change and motivate them to work more willingly and diligently to make change successful.

With this in mind, we developed and tested a theoretical framework (the "Meaning-Making Change Adaptation Model" or MCAM) that makes three central claims:
First, the core meaning-making constructs—a strategy worldview, which explains change as being part of a larger plan supported by managers, and benefits finding—facilitate the development of three key psychological "resources"—commitment, identification, and perceived efficacy—needed to motivate important change implementation behaviors.
Second, these three psychological resources activate employee engagement with strategic change.
Third, the source and nature of communications dur-</td></tr>
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Explaining Employee Engagement with Strategic Change Implementation[1]

ing the strategic change affect how employees interpret what is happening and react to it.

To test this framework, we used qualitative and quantitative data from a Fortune 500 retailer undergoing strategic change to test our claims. Our objective in this research was to categorize and illuminate processes managers may use to engage employees more positively and enthusiastically in change and in doing so increase the potential for a favorable organizational outcome.

Research Methodology

#1: For our research, we selected a single corporation: Retail, Inc. (a pseudonym). Retail, Inc. is a Fortune 500 specialty retailer with two divisions: MallCo (operating smaller stores located in malls) and BigBoxCo (operating larger, freestanding stores).

To address MallCo performance declines, the Retail managers initiated "Project Convert." This strategic change focused on achieving better integration of MallCo and BigBoxCo by renaming MallCos as "BigBoxCo Light," remodeling MallCo stores, revising the branding strategy, expanding product assortment, and updating technology and work routines.

#2: We gathered data for the study through a paper-and-pencil questionnaire sent to all store employees implementing Project Convert. We did this within a month after the store had changed from MallCo to BigBoxCo Light.

The survey questionnaire contained open- and closed-ended questions. We attempted to get all 90 of the converting MallCo stores to participate. Of the 90 stores, 50% responded to our inquiry, and we collected 159 of 414 possible employee responses (38.4%).

#3: We constructed strategy worldviews and benefits findings scales by analyzing the content of four open-ended questions. These questions asked employees to describe their feelings about the change, their understanding of the reasons for the change, and the nature and effects of the changes.

We then coded the responses into meaning-making measures, communications measures, psychological resource measures, and change implementation behavior measures for data analysis.

#4: We estimated our proposed MCAM and tested the veracity of our three core claims by applying structural equation modeling to the data gathered from 159 MallCo employee survey responses.

Research Findings, Conclusions, and Implications

The findings from this study support a Meaning-Making Change Adaptation Model (MCAM), in which employees' interpretations of strategic change play an essential role in determining how they ultimately implement such change. Whereas strategic change research has tended to treat employees as obstacles to change, we show that employees' varied interpretations of change involve key psychological resources—resources that can motivate employees to implement change. The results support the MCAM model.

Contrary to many practitioner beliefs, employees do not always resist change and may in fact work to promote change. While existing prescriptions of change emphasize uncertainty reduction, this study focuses on a specific method to reduce uncertainty. Through the mechanism of communication, managers can facilitate employees' meaning-making of change—their creation of a strategy worldview and initiation of benefits finding—both of which are essential in the broader process employees use to adapt to change. In fact, previous prescriptions to relieve the stress of change may not go far enough; managers need to view employees as assets, not obstacles, in strategic change. By facilitating meaning-making, managers can help frontline employees believe they are resourceful enough to implement change and play a vital role in helping organizations implement major change.

[1] For more on this study, see Scott Sonenshein and Utpal Dholakia, "Explaining Employee Engagement with Strategic Change Implementation: A Meaning-Making Approach," *Organization Science* 23, No. 1 (2012), 1-23 [http://goo.gl/9TJKcr].

Strategy 2: Balance Decision Making with Sensemaking

Decision-making models are the hallmark of good management—or so most textbooks about organizational change and general management argue. Like many managerial tasks, approaches to organization change involve decision-making models that perform a rational analysis of data to inform action. Decision-making models are extremely important and useful, but in a world of constant change the assumptions that drive these models become quickly outdated and can lead to unwanted outcomes.

No matter how sophisticated the decision-making model, instituting strategies based on faulty assumptions is a recipe for disaster. For example, in July 2011 Netflix decided to raise prices for its DVD and streaming entertainment services. The company assumed, given its current popularity and excellent customer service reputation, that this would be a good decision. It wasn't. As J. D. Rucker describes it, "In five short months they went from a company that had a plan and was ready to change the world of entertainment to a company that had no idea how to handle its customers, its company, the press, and just about every other player watching their situation."[14] Over those five months, the firm's share price plummeted $232, a nosedive of almost seventy-nine percent (see Figure 1).

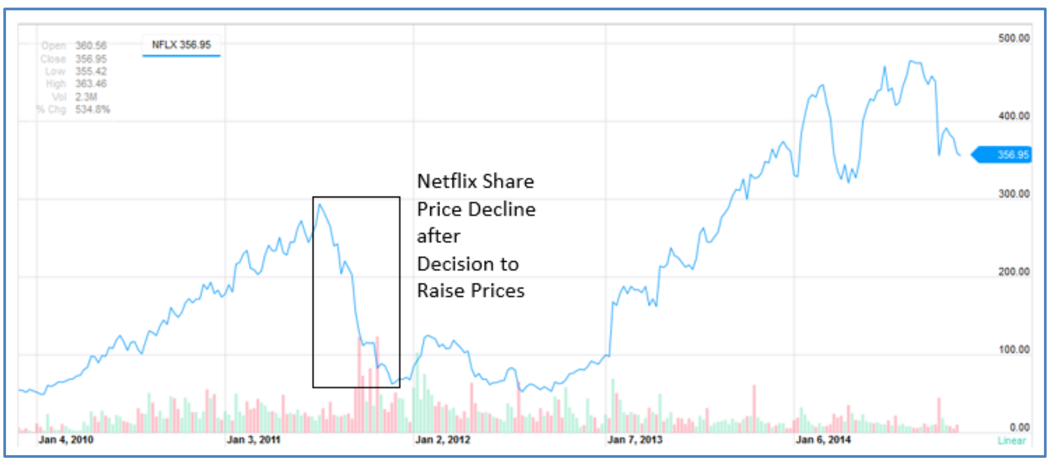


Figure 1. Netflix Share Price, 2010-2014 (Source: Yahoo Finance.)

In short, Rucker continues, "[Netflix] became an embarrassment, the once-mighty uncle who used to be the life of the family reunions but who somehow lost a marble or two and now doesn't even get invited to Christmas dinner." He explains that it wasn't the decision to boost rates that was the problem, "it was the way they [summarily] raised prices that sent the company down the path to oblivion." Netflix managed to avoid extinction but only after a long battle to regain the trust and confidence of its customers and investors. It took the company more than a year to recover the lost share value.

The challenge with instituting organizational change is that, no matter how much we can decide based on previous experience and current knowledge, we still often do not know everything we need to know until after change has happened. Netflix, obviously, did not know how customers would react to a price increase until it boosted prices. Indeed, the observation from the Union Carbide operating manual quoted above could easily apply to Netflix and many other companies: "There may be other situations not covered above. The situation will determine the appropriate action. We will learn more and more as we gain actual experience."

This phenomenon—one might call it the Heisenberg principle of business—corresponds to a basic premise called sensemaking: "How can I know what I think until I see what I say?"[15] Or, put another way, "an explorer can never know what he [or she] is exploring until it has been explored."[16] Counterintuitively, our actions sometimes have to precede our thinking as uncertainty increases. In other words, we gain knowledge and understanding through our actions. At the same time, our actions change our environment—a process known as enactment—and not always in an expected positive or an assumed neutral way, as the Netflix and Bhopal examples show. The challenges involved in sensemaking are not insignificant.

Put simply, a sensemaking perspective argues that how we detect and frame cues in the environment—a process that precedes decision-making—has a dramatic influence on what we ultimately decide. Hindsight is a great benefit to sensemaking as we can interpret what we just decided and update our information. But during change, we often lack the luxury of knowing how our decisions will shape future behavior. We might make guesses based on assumptions, but these assumptions will likely become faulty as uncertainty about the future increases.

In sum, sensemaking effectively is difficult because it requires "thinking while acting and creating change while seeking signs of change."[17] When done right, however, it can "enable organizations to move from a good today to a great tomorrow."[18] Consider this example from the MIT Leadership Center's Theory and Practice paper "Making a Difference by Making Sense":

> …in 2003, a strategic business unit of a global energy company was measuring well against industry benchmarks. Then, a joint venture manager in Taiwan commented to the head of project development and delivery that the local people were putting up better plants more cheaply. Although the manager had no data, he did ride by the local plants every morning.
>
> The project development leader says, "We had industry benchmarks that said we were doing well. It's easy to write off anecdotal information like this."
>
> But the managers were learning about sensemaking at MIT, so they decided to dig deeper into the efficiency measures. Why didn't the data match the observer's on-the-ground gauge of success? The corporation embarked on sensemaking, looking at every aspect of the company's and its competitors' processes.
>
> When the energy corporation reexamined its project management benchmarks, it completely changed its view of who its competitors are. "It's not Exxon and Dow,"

> one executive says. "It's the independent Chinese producer making $100,000 per year in profit when we're trying to get a 25% internal rate of return. When we changed our benchmarks, we said, 'Wow, we're way behind our real competitors.'"
>
> In response to this radical new information, the company created a new strategy, to operate globally and execute locally. In the past, it hired Western contractors for projects. Now the Western contractor is a management partner, a Chinese design institute executes the engineering, and a Chinese firm handles construction. Today the company partners with firms that in the past were competitors.
>
> The strategy is paying off. One new project in China, planned using this new strategy, is expected to cost about $350 million, $75 million less than under the old strategy. "That has a huge effect on required IRR," one manager says.[19]

Firms that rely too heavily on decision-making models can take sensemaking out of the equation altogether and so miss out on gains like the one just described. One of the dangers of such models is they become inflexible. We focus on the model's output after we make assumptions about its inputs. The uncertainty that surrounded our inputs disappears once the model provides answers, that is, we perceive the outcome described by the model as certain even though we know the inputs are based on uncertain information.

When NBC, for example, decided to move comedian Jay Leno from the late night *Tonight Show with Jay Leno* to *The Jay Leno Show* in prime time, it had very good reasons for doing so. Producing Leno cost $300,000 per hour episode, whereas an hour-long drama comes with a price tag of around $3 million. Leno's contract was up, and NBC did not want him signing with another network and competing with his replacement on NBC, Conan O'Brien. Even if viewership dropped, the network would still make money.

> "But what they didn't consider," says management consultant Michael McGrath, "was the impact it would have on affiliate stations that do the nightly news. Viewers don't change the channel after the drama at 10. They stay to see the news. With the Leno show dropping in viewership, they had fewer people watching the affiliate news."
>
> "The decision had another effect that wasn't considered. They didn't anticipate the loss of viewership or the consequences it would have on the affiliates. That's the problem. They should have realized it. When NBC made the decision to put Jay on prime time, the Boston affiliate refused to show it."
>
> "There was a sign that there was a problem with the affiliates. They should have taken it into account. They either didn't care or didn't realize the possible impact. It wasn't their news that was impacted. The decision ended with themselves."[20]

If NBC modeled its decision to move Jay Leno to prime time, it either failed to input the possible reaction of affiliate stations or assumed they would play along without complaint. As a consequence, the network was eventually forced to take the embarrassing, and costly, step of firing O'Brien and reinstating Leno in his late night slot.

NBC's attempt to "put things back the way they were" also illustrates how, when the world throws you a curve ball, one corporate instinct is to double-down on the comfortable and familiar. During periods of duress, organizations often constrict resources and new ideas, which helps strengthen the status quo.[21] On the one hand, this action is the "safe" course; on the other, it often produces confusion over how to cope with a changing environment. The resulting strategy and subsequent decision-making operate on assumptions that, while possibly true at some point, have become outdated. However, it can be equally dangerous to act in ways that add to the danger and risk that sparked the need for change in the first place.

J. C. Penny suffered both experiences. In 2011, the firm faced a major strategic crisis that threatened its business. They brought in Ron Johnson, former head of Apple's retail division, to turn things around as their new CEO. It seemed like a good idea at the time. J. C. Penney's stock rose twenty-four percent when the firm announced Johnson's hire. Things went downhill rapidly from there (see Figure 2 on the next page). Johnson devised a new strategy for the organization that created risky action and amplified the crisis to which he sought to respond. His "cowboy" approach included

J. C. Penney Logo under Ron Johnson in 2012

> trashing the legacy locals by blowing an astounding $170 million in "executive transition costs" on the installation of himself and his top three lieutenants while simultaneously sending a message that he was too good to spend much time in down-market Plano, Texas, preferring to commute to Penney headquarters by corporate jet from his "real home" in cooler California.[22]

As a result of his failed retail strategy and alienation of the existing corporate culture, Johnson watched the company's revenue decline substantially in a matter of months.

> After the company reported a $985 million annual loss for the year [2012] on revenues that had declined 25% from the previous year to $13 billion, prompting a 50% decline in the stock under Johnson's erratic leadership, the JCP commercials began to admit that yes, Penney's had "made a mistake" by not listening to its customers, while neglecting to mention the far greater mistake made by Ackman [investor Bill Ackman] and Penney's board for placing such blind faith in their superstar recruit in the first place.

To "atone" for these mistakes, the company committed another one. It rehired former CEO Myron Ullman—the person it had dismissed in favor of Johnson. Ullman essentially brought back the status quo. The organization has come full circle

J. C. Penney Return to Traditional Logo in 2013 moving from dangerous action to a return to the safe inaction that sparked the initial crisis in the first place. Meanwhile, J. C. Penny's competitors continued to sap its market share as the firm suffered repeated financial losses.

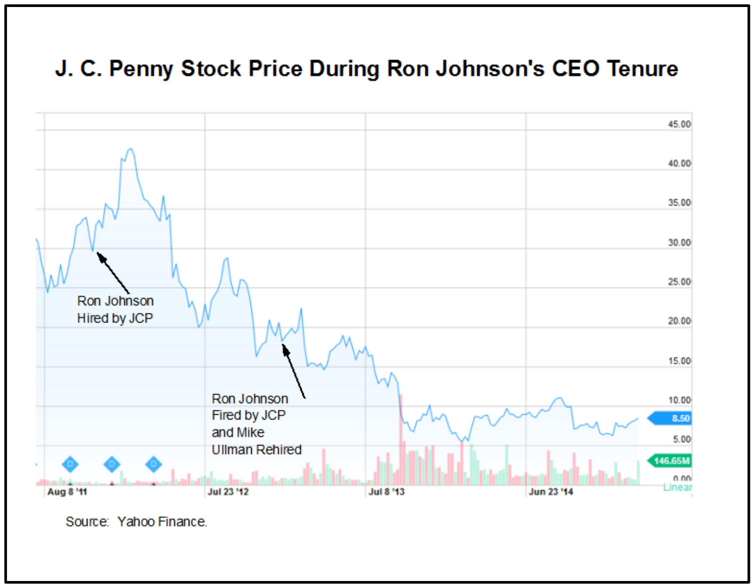


Figure 2. J. C. Penny Stock Prices 2011-2014

As these examples show, in times of uncertainty, rather than doggedly following pathways prescribed by inflexible decision-making models that mostly become out of date as soon as they produce results, leaders should add sensemaking to the decision mix, realizing that they sometimes have to act before they know fully what they are facing. This strategy allows them to test provisional ideas, such as implementing new safety procedures or responding to competitive threats, before fully committing to them. (Not surprisingly, J. C. Penny's Johnson did not test his new strategy before rolling it out throughout the organization.)

Ultimately, balancing a reliance on decision-making models with sensemaking is tricky because of the "delicate tradeoff between dangerous action which produces understanding and safe inaction which produces confusion."[23] At the same time, leaders need to recognize that such experiments may change the very situation to which they are trying to react. To make sensemaking work, firms need to be nimble and flexible enough to adapt quickly and effectively when circumstances shift unexpectedly.

Strategy 3: Stop Focusing on Planning

Organizations like to plan. Planning is vitally important, especially when organizations operate in stable environments. Our world, the business one included, is more chaotic than orderly. As environments become more turbulent, planning ahead becomes increasingly difficult and risky. Even more risky, though, is sticking to a predetermined course when circumstances take a different tack. This is especially true when organizational members blindly follow obsolete corporate programming. And the damage does not end there. This kind of reified commitment to a strategy—particularly if it is active, voluntary, and public[24]—can create a self-perpetuating cycle by making leaders insensate to evidence of change. By labeling a situation "under control," organizations can convince themselves that it is [under control] even as circumstances spiral rapidly awry.[25]

Plans become particularly ineffective when events fall outside of their parameters. The Union Carbide leaders did not anticipate the Bhopal crisis, for example, other than to offer plant operators the vague instruction to use "appropriate action" for events not explicitly covered in the operational manual. No one in the control room was prepared for this to happen. They had no idea of what steps to take to prevent disaster or at least reduce the damage done.

At Bhopal, Union Carbide was particularly negligent because it failed to do what many organizations do in anticipation of such moments of extreme uncertainty: contingency planning. The objective with this approach is to create a "foolproof" plan by imagining every "possible" scenario and creating a response for each one. This seems logical. Adding more contingencies to planning better prepares organizations for the unexpected, right?

In some cases, the answer is yes. This is definitely true for entities—such as Cantor Fitzgerald before and after 9/11—that create "business continuity plans" to ensure operations go on as smoothly as possible in the event of a natural disaster or the loss of key individuals. If not prepared, "incidents such as epidemics, floods, earthquakes, and sabotage can affect a company to the point of closure. For example, in the United States, 44% of businesses affected by fire fail to reopen and 33% of these failed to survive in 3 years."[26]

In other instances, the answer is no. Indeed, overreliance on planning for contingencies can lead to three critical dangers. First, as plans become more detailed they become more unwieldy and less useful during emergencies and so make crisis management more difficult. As an example, the Federal Emergency Management Agency (FEMA) manual that instructs states on how to develop emergency operations plans (EOPs) is 124 pages. The state EOP manuals that result from those guidelines are an order of magnitude longer and even more complex. Florida's 2014 Comprehensive Emergency Management Plan, for instance, is 895 pages.

Voltaire: "Doubt is not a pleasant condition, but certainty is absurd."

Second, considering and "advertising" a plan to be foolproof, especially in a way that encourages or intimidates frontline employees into simply following it, is a recipe for disaster. Plans are inherently incomplete, a fact that can be masked if a firm's senior managers believe, dangerously, that they have thought of everything. Environments shift quickly and such "temblors" can easily turn a "foolproof" plan turn into a foolish one. As Landau and Chisholm describe it, "the tyranny of rule-following destroys the hypothetical character of our decisions, transforming them into ends and, thereby, insuring error."[27] In a corporate culture of overconfidence, they write,

> …optimists prevail and pessimists are demeaned. The latter are, all too often, seen as negative, defeatist, the nervous nellies

> who slow action; the former, well, they are decisive; the doers; they make things happen. But, as Voltaire once remarked, they may simply reflect a mania for maintaining all is well when it is not.[28]

As a rule, even the best change plan is underspecified. By believing in its infallibility, you commit your organization to a course of action that may become irrelevant and even harmful if and when things go south. In pursuit of cost savings, for example, Chrysler adopted "just in time" (JIT) parts inventory management at its auto plants in the early 1980s, eliminating stockpiles. Then in 1993, a strike idled 21,000 workers at plants where workers had not walked out because they no longer had needed parts on hand. The loss estimates ran to the tens of millions.

Chrysler optimistically believed instituting the "efficient" JIT practice would have huge benefits, which JIT certainly can if nothing goes wrong. Something always goes wrong, however, as Murphy and many others know from experience. For that reason, Landau and Chisholm advocate shunning a "success orientation" and taking the pessimistic approach to planning, what they describe as a "failure-avoidance" management strategy. This tactic assigns a high priority to the probability of error, of failure, to reduce such probabilities and "insure effective and reliable performance even in the face of trauma."[29]

Third, predicting the unexpected is precisely difficult, if not impossible, because it is the *unexpected*. In his 2007 book *The Black Swan: The Impact of the Highly Improbable*, mathematician Nassim Nicholas Taleb, describes a "Black Swan" as an event that "lies outside the realm of regular expectations, because nothing in the past can convincingly point us to its possibility."[30] His signature example is the discovery of black swans in Australia by Old World Europeans, who until that time had thought all swans were white because that's the only color "seemingly confirmed by empirical evidence." Black Swan events also have extreme impacts, sometimes positive and sometimes negative. Taleb cites September 11 and the assassination of Archduke Ferdinand in 1914 as two such unanticipated and ultimately world-changing incidents. In the energy world, one could point to the *Exxon Valdez*, Deepwater Horizon, the advent of refining liquid fuels in the 1850s, and the successful emergence of fracking within the last decade as Black Swans.

Taleb also writes about our "blindness with respect to randomness":

> Why do we, scientists and nonscientists, hotshots and regular Joes, tend to see the pennies instead of the dollars? Why do we keep focusing on the minutiae, not the

> possible significant large events, in spite of the obvious evidence of their huge influence?[31]

Taleb believes that "Black Swan logic makes *what you don't know* far more relevant that what you do know." As his examples illustrate, we cannot plan for things we are not aware of and cannot anticipate what former Secretary of Defense Donald Rumsfeld famously or infamously once described as "unknown unknowns."[32] Even well-specified plans inevitably fall short and, what's worse, they can trick us into thinking we are prepared. Organizations that successfully manage change during times of uncertainty do so by planning carefully *and simultaneously* fostering a culture of flexibility, adaptability, and collective improvisation. The latter enables effective spontaneous action and reaction should Black Swans suddenly swoop down to roost. As Taleb puts it succinctly, we "need to use the extreme event as the starting point and not treat it as the exception to be pushed under the rug."[33]

Strategy 4: Use the Power of Stories

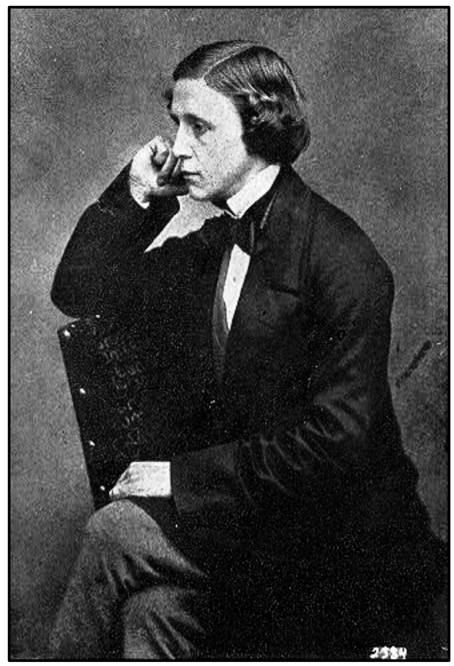
Stories can play an important role during transitions. Leaders use such narratives to explain the purpose of change to stakeholders and employees. Stories also serve as devices to communicate the challenges an organization faces and to motivate others to buy into the direction in which the organization needs to go. As business consultant Torben Rick describes it,

> Good leaders…tell stories that "cast" them and their organizations as agents of change, rather than defenders of the status quo. As a leader, you cannot eliminate fear, abolish uncertainty, or avoid the prospect of change for your company. But you can leverage these emotional navigational stakes to your greatest advantage by telling a purposeful story.[34]

A change story provides a highly contextualized account of how leaders envision the organization adopting to threats and opportunities in the environment. "Once you've decided what your five-year strategy is going to be," explains *Forbes* writer Dan Schawbel, "and you need 15,000 people to line up behind it and deliver it, now you need a good story."[35] He goes on to observe that some firms have recognized this need to the extent that they designate "a high level corporate storyteller…to capture and share their most important stories." Others hold storytelling seminars for executives (Kimberly-Clark, for example), ban bullet points in favor of strategic narratives (3M), or hire Hollywood movie directors as storytelling coaches (Proctor & Gamble). Why is storytelling important to business leaders? "Because you can't just order people to 'be more creative,'" Schawbel explains, "or to 'get motivated' or to 'start loving your job.' The human brain doesn't work that way. But you can lead them there with a good story."

Stories, unlike plans, have an inherent provisional nature that provides the flexibility to adapt. A mutable story can accommodate ongoing deviations and help shift the organization from well-rehearsed routines to more spontaneous action.[36] It also has qualities that transform the audience into engaged participants rather than passive listeners. David Hutchens, author of business "learning fables" such as *Outlearning the Wolves*, offers this advice regarding the character of an effective story:

> The richest organizational stories are the ones that capture the essence of the organization's identity—either "who we are" or "who we will become"—but also contain enough ambiguity, frayed edges, and unresolved plot threads and metaphors so that there is still plenty of meaning for organizational members to unpack.
>
> With the Learning Fables, I am continually mindful of drawing out the meaning in bites that are just the right size. The stories are followed by a short piece that initiates the meaning-making process, but then hands it over and says "your turn." Big questions about the metaphor are posed but never conclusively answered. (One of my favorites: In your organization, what do the wolves represent?)[37]



"No, no! The adventures first, explanations take such a dreadful time." Lewis Carroll

Through that audience engagement and participation, stories get questioned and then changed by others in their retelling.[38] The process helps prevent plans being handed down to frontline employees from being perceived as "cast in stone" or, worse, carrying the risk of sanctions for any reservations about or deviations from them. Stories can be doubted "safely" in productive ways, that is, employees can test the narratives against their reality and challenges and work to bring these elements together in a way that benefits the organization from top to bottom. In short, people commit to plans but embrace stories.

Effective storytelling is a challenge, however. Leaders in particular tend to feel more at ease in an environment of certainty and confidence. Switching from the accustomed command mode to "let me tell you a story" can be difficult and even somewhat nerve-wracking for the teller and even the audience. Annette Simmons, author of *Whoever Tells the Best Story Wins*, captures this situation succinctly:

> You or your listeners may feel some anxiety when you intentionally invoke story as a direct feed into the limbic system. People have spent time and energy learning how to exclude emotions from decision making. Many won't welcome the emotions back with open arms. However, storytelling doesn't bring emotions *back* to decision making. Storytelling gives us *access* to the emotions that will occur as a result of your decision whether you acknowledge them or not.[39]

Despite the initial awkwardness and uncertainty that may accompany telling stories rather than announcing plans, many executives now recognize that remaining open to doubt and creating malleable visions rather than taking a "damn the torpedoes" approach are essential elements for implementing change successfully. By staying receptive to their stories being questioned and revised, they can guide and motivate the behavior needed to reshape their firms positively and at the same time create more resilient, adaptable organizations. While we often think of change, and strategic change in particular, as a set of plans, change is "one of the most prominent, influential, and costly strategies *told* inside organizations."[40] As a result, we want to tell the best story, even if it requires constant updating.

One pitfall leaders should avoid when disseminating strategic change narratives is getting the story wrong. A big mistake organizations make in this respect is offering overly optimistic narratives about an organization's objective circumstances to protect morale. Leaders are frequently reluctant to let employees know the risks, and quite frankly dangers, inherent in the status quo. Such stories can make employees (and managers) feel good even as a crisis looms. Unrealistically positive appraisals blind leaders and employees to existing difficulties and undercut any urgency to institute improvements. After all, employees wonder, "why should we change if things are not so bad?"

A classic example of getting the story wrong. Truman won the presidential election in 1948.

Instead of obscuring challenges in this manner, leaders can use stories in more strategic ways. First, leaders can present a realistic portrait of the situation, using vivid imagery to describe new competitors, technological challenges, safety problems, or cultural issues. Good stories stick and help employees understand the realistic situation. Second, leaders can use stories to motivate the employee action needed to implement change successfully.[41] "Story is a very powerful tool," writes Simmons. "When you activate new stories you transport people to new points of view, change meaning, behavior, and in that way—you change the future."[42]

One particularly effective way to use stories to leverage successful change is to invoke and inspire using three key interrelated psychological qualities—self-efficacy, identification, and commitment—in the audience. Doing so can create strong levels of engagement during change initiatives. The presence of feelings of self-efficacy, identification, and commitment within employees creates the mindset they need to implement change successfully (see Table 1 below; see also the "Explaining Employee Engagement with Strategic Change Implementation" sidebar above). Having a sense of self-efficacy makes employees feel confident they can successfully change their job tasks and work responsibilities to fit a new organizational structure or strategy. Organizations that get their employees to "identify" with the shift—to view the change as a part of who they are—can enhance the speed and quality of any transition. Finally, having a sense of commitment grows out of employees recognizing the need for change, the form the change will take, and what they have at stake in making the change successful. To this end, leaders need to create change stories that realistically appraise the challenges employees face while fostering the qualities that help them better perform their part in implementing change.

Table 1. Activating Employee Engagement with Strategic Change through Self-Created Employee Resources: Commitment, Identification, and Efficacy	
Commitment: Commitment to change is mindset through which an individual dedicates him or herself to a course of action deemed necessary to succeed in implementing a change initiative.	Change commitment includes affective (associated with desire), continuance (associated with perceived costs) and normative (associated with perceived duty) types. Of these, affective commitment, which focuses on an individual's commitment based on his or her perceived inherent value of something, is likely the most vital form of commitment in overcoming the adversity and obstacles employees often envision and associate with change. Employees who construct meaning using a strategy worldview and benefits finding are more likely to be affectively committed to change, which, in turn, leads to higher levels of positive change implementation behaviors. Managers who can form a strategic vision and share it successfully with employees can increase affective commitment. This increase comes from the greater sense of ownership that employees experience when a change fits within the strategic vision they construct for themselves. Such employees are more likely to be firmly committed to change and so engage in behaviors that enhance the chances of implementing change successfully.
Identification: Unit identification refers to the degree to which individuals define themselves in terms of an object or idea. In terms of organizational change, the "unit" might be the site (as in a specific physical facility) where employees work and spend most of their time, therefore making it the most proximate context for change. Unit identification can also involve departments within a physical facility or a specific team within an organization.	Employees who engage in a strategy worldview attribute change to a larger plan meant to improve the unit. Benefits finding also engages and strengthens unit identification as employees tend to favor change when they explicitly believe their workplace will be made more desirable as a result of the benefits they perceive change will bring. Managers who recognize that constructing change as part of a broader plan that benefits each unit will likely mitigate the chances of employee resistance to change through their identification with it. That is, fostering and facilitating a particular type of identification within employees will help those in-

Table 1. Activating Employee Engagement with Strategic Change through Self-Created Employee Resources: Commitment, Identification, and Efficacy	
	dividuals engage in behaviors to support change as they will see it as strengthening, not destroying, their unit.
Efficacy: Perceived efficacy refers to an individual's assessment of his or her abilities to perform tasks. Regarding strategic change, an individual's "perceived change efficacy" relates to that person's view of his or her ability to mobilize the cognitive resources necessary to handle organizational change and, despite the difficulties involved, function effectively.	Employees who adopt a strategy world can ameliorate uncertainty and enhance their perception of their individual efficacy. In addition, it may help them better understand their role during the change implementation and the actions they have to perform. Finally, a strategy worldview provides contextual knowledge about the purpose of the change that can infuse individuals with the sense that their efforts will contribute to a concrete plan. Employees who engage in benefits finding focus on the positive aspects of change. Adopting this perspective strengthens their assessment of their personal abilities to contribute to the change. Managers who encourage and facilitate employees' adoption of a strategy worldview and their engagement in benefits finding can improve the employees' perceived change efficacy. This is turn will likely lead to more effective handling of job responsibilities and a greater willingness and heightened desire to go beyond prescribed actions in their change implementation behaviors.

In addition, by focusing on the skills employees will build, the new relationships they will forge, and the potential for personal growth inherent in their involvement, executives can help keep concerns and even anxieties on the part of some from turning into resistance. Employees should see change as an opportunity for the organization and themselves as individuals rather than a threat. By helping employees find the hidden benefits of a change, leaders can help employees adopt the change story, make it their own, and come to embrace change as a positive and important part of their jobs.

Strategy 5: Don't Forget the Frontline

By inviting others to author or edit stories, particularly middle managers and frontline employees, change leaders help overcome a major stumbling block to successful organizational change: implementation. Stories, unlike many organizational change plans, are something that anyone can author and/or embellish. Top managers and change agents may create a story about change but employees can (and will) revise the story in ways that shape the change. Once leaders embrace versus trying to fully determine the change stories of employees, they can spark middle managers and frontline employees to help with implementation in productive ways (see the sidebar "We're Changing—or Are We?").

We're Changing—Or Are We? [1]

Research Issue and Objective

Issue: Past change research focusing on change narratives and "sensemaking" has supported the idea that strategic change requires a fundamental shift in meanings (i.e., interpretations or "readings" of an organization's character, status, agendas, and/or goals). This literature has converged on examining how managers "construct" meanings and disseminate them to influence others regarding a new strategic direction.

Almost without exception, contemporary management texts uncritically adopt a three-phase model of planned change: "unfreezing" an existing state, moving to a new, desirable state, and then "refreezing" that new state. Scholars have adopted this model by the psychologist Kurt Lewin (despite Lewin not explicitly discussing organizational change) by arguing that the change process involves managers first breaking down employees' existing meaning constructions (unfreezing), then establishing new meanings (moving), and finally solidifying those new meanings (refreezing).

Although research that models change implementation as a set of meaning processes based roughly on Lewin's approach has led to important insights, this research is limited in two key ways.

First, existing research represents an unnecessarily narrow view of the types of meanings managers and employees construct during change. This limited focus makes common a narrative in which employees resist change (drawing on negative meanings) and managers struggle to overcome these resistance efforts (through positive meanings).

Second, existing research overlooks the dynamic interplay between managers' and employees' meaning constructions. Although less politically dominant groups lack formal power, they nonetheless shape change implementation through their alteration of its meaning. By accounting for the construction of meanings by both managers and employees, scholars can understand a wider breadth of meanings during change, as well as how meanings change over time and across organizational levels in ways that affect how strategic change gets implemented.

Objective: Broadening investigation of the types of meanings actors construct during strategic change to extend beyond simply positive and negative and accounting for a wider range of actors constructing meaning (managers and employees) enables a reexamination of critical assumptions in change implementation research.

Scholars have found that managers exert downward influence on the meanings employees attribute to change through the unfreezing-moving-refreezing of negative meanings, which are replaced with more positive ones, yet it is less clear what theoretical process explains how employees respond to these efforts, how they might reconstruct these meanings of change, and how this reconstruction might affect their responses when implementing change.

To develop these insights, I conducted a field study at a Fortune 500 retailer implementing strategic change. It began with the broad research question of how managers' and employees' meaning constructions differ and how these differences matter for how strategic change gets implemented.

This study drew from narrative and sensemaking approaches to change to examine relationships between the broader sources of meanings (managers and employees) and broader dimensions of meanings (derived inductively) used to construct change.

This study's purpose was to revise conceptualizations of managerial and employee discourse in fostering and hampering the implementation of strategic change by broadening consideration of both the sources and the types of meanings used to "construct" change. In doing so, this research shows how strategic change often involves a set of intertwined stories that managers and employees co-shape. The type of stories that are told shape the prospects of achieving successful strategic change.

Research Methodology

#1: The study took place at Retail, Inc. [a pseudonym], which at the time of the study was a Fortune 500 entertainment and leisure products retailer with annual sales of $4 billion and 35,000 employees.

The company operated over 1,000 stores, primarily in the United States, and consisted of two divisions, each representing a different retail model: MallCo, which ran smaller, mall-based stores, and Big-

#2: I spent 15 months collecting data during the testing and implementation of the strategy and after the project was no longer a strategic priority. I used three primary data sources.

First, I conducted 42 interviews with retail clerks and store managers (collectively "employees") and senior/corporate and field managers (collectively "managers").

#3: I used individuals' discourse (managers or employees) to create composite narratives of group constructions of the change. I drew this discourse from, among other things, interview and survey questions for managers (for example, "What have been your biggest communication obstacles in implementing Project Convert") and store employees (e.g., "How has Project Convert affected your job and the company?")

#4: I examined the composite narratives to analyze meanings over time and across contexts and to analyze employee responses with regard to how differences between employees' and managers' meaning constructions matter for change implementation.

We're Changing—Or Are We? [1]

BoxCo, which ran larger, free-standing stores.

This research examines the implementation of "Project Convert," in which some MallCo stores were transformed into BigBoxCo Light stores.

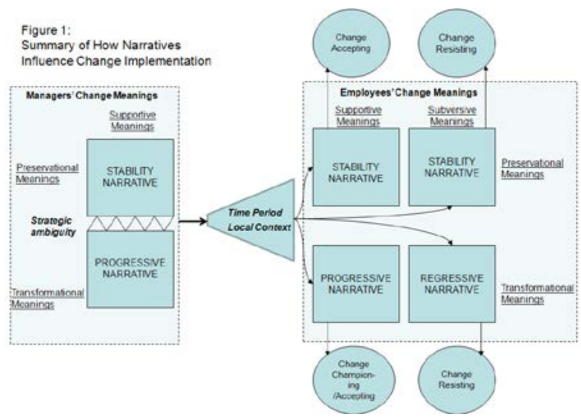
Second, I collected 115 documents, including internal strategy plans, directives, and updates sent to stores, and public press releases, articles, and web pages. (Such documents provide a running history of how strategies develop and change over time.)

Third, I observed eight hours of meetings in two cities in which managers met with employees to discuss the change.

Although narratives are sometimes more fully elaborated by one person or piece of discourse, most narratives are "fragments of stories, bits and pieces told here and there, to varying audiences." I captured these fragments in individuals' discourses and transformed them into composite narratives.

Research Findings, Conclusions, and Implications

Prior research has emphasized that managers establish new meanings about an organization for employees by unfreezing and then altering their meaning constructions. Indeed, I found that managers do construct these new meanings (through what I call "progressive narratives"). Unexpectedly, I also found that at the same time managers were establishing new meanings, they were simultaneously attempting to preserve existing organizational meanings (through what I call "stability narratives"). At this point, my attention shifted to explaining how and why managers simultaneously told progressive and stability narratives and to the interwoven narratives' effect on employees' meaning constructions and implementation of change.



The import for managers of this research is that strategic change can be understood as a series of stories told by managers and employees. There is sometimes good reason for managers to tell strategically ambiguous stories versus conventional approaches of a clear vision. These stories interact with employees' stories, and how this interaction unfolds can lead employees to champion, accept, or resist change.

[1] For more on this study, see Scott Sonenshein, "We're Changing—Or Are We? Untangling the Role of Progressive, Regressive, and Stability Narratives during Strategic Change Implementation," *Academy of Management Journal* 53, No. 3 (2010), 477-512 [http://goo.gl/nZjq4a].

Leaders tend to focus on themselves, overlooking the vital role of others in orchestrating change. More often than not, managers and academics concentrate on the strategic planning and decision making of top management during times of transition.[43] When you look more closely at implementation, however, middle managers and frontline employees are just as vital to success, if not more so, as senior management.

Middle managers serve as the primary conduit between top managers and front-line employees. Indeed, they have multiple roles when it comes to implementing change. In a tutorial on roles in change management,[44] the Prosci Change Management Learning Center lists these five activities for middle managers:

- **Communicator** – Employees prefer to hear messages about how change directly affects them and their team from their supervisors.
- **Advocate** – If a manager opposes change or vice versa, his or her people will likely adopt the same attitude.
- **Coach** – Middle managers and supervisors coach employees through the personal transitions that accompany organizational change.
- **Liaison** – The role of liaison involves interacting with the project team, taking direction and providing feedback. It also involves working literally as the "middle men and women" between management and employees. As Garry Elliott, an associate tutor at the Scottish Police College, describes it in an article on the role of middle managers, "They influence upwards through championing alternatives or synthesizing information to senior management, or downwards through facilitating adaptability in the organization, or through the implementation of deliberate strategies."[45]
- **Resistance Manager** – More often than not, the best intervention to mitigate resistance comes from an employee's immediate supervisor.

As noted, frontline employees are much more likely to trust middle managers or their immediate supervisor for information about change.[46] In fact, middle managers serve as vital opinion leaders during transitions who embellish (positively or negatively) the change story offered by top managers. If middle managers are skeptical of the change, they will create regressive stories that doom transition efforts before they even begin. On the other hand, if they tell stories that depict the organization as improving because of the change, the new initiative will likely start off on much firmer ground.

Top-level executives sometimes fail to recognize the positive role middle managers can take during change. "The very phrase 'middle managers' evokes mediocrity," writes Quy Huy, professor of strategy and management at INSEAD, "a person who stubbornly defends the status quo because he's too unimaginative to dream up anything better—or worse, someone who sabotages others' attempts to change the organization for the better."[47] Huy conducted a six-year study of middle managers, focusing in particular on their role "during periods of radical organizational change." He found that, unlike the stereotypical characterization he mentions, these managers make valuable contributions to realizing radical change in four major areas:

- "First, middle managers often have value-adding entrepreneurial ideas that they are willing and able to realize—if only they can get a hearing."
- "Second, they are far better than most senior managers at leveraging the informal networks at a company to make substantive, lasting change possible."
- "Third, they stay attuned to employees' moods and emotional needs, thereby ensuring that the change initiative's momentum is maintained."
- "And finally, they manage the tension between continuity and change—they keep the organization from falling into extreme inertia, on the one hand, or extreme chaos, on the other"

Huy's study of middle managers taught him that they may be "the corner-office executive's most effective allies when it's time to make a major change." Senior executives, he advises, who learn "to recognize, respect, and deal fairly with the most influential middle managers will gain trusted allies—and improve the odds of realizing a complex but necessary organizational change."

Leaders of change also need to recognize the critical importance of frontline employees in implementing change. Not surprisingly, these individuals, who are more inclined to focus on their particular functional role within a company rather than the broader issues and challenges facing a global enterprise, often see change from a completely different perspective than top managers. A strategic change that top management views as essential for their firm's survival might be seen by frontline employees as a shift that undercuts basic social values. For example, one Fortune 500 retail company (store names were changed in the study) in transition sought to recast its image in the manner described in this email to customers:

> We're unveiling a new look for a familiar friend. We're excited to announce that our MallCo store in [location] is becoming BigBoxCo Light—a new store with a vibrant new atmosphere and an extraordinary shopping experience. We're taking the best of MallCo and introducing many of the exceptional aspects of our sister store, BigBoxCo, to create BigBoxCo Light. You'll continue to find a great selection of [products], convenient shopping, and the same commitment to service by the friendly staff you've come to know. At the new BigBoxCo Light, you'll also find a bigger discount…an expanded assortment, and selected BigBoxCo special offers and services. We are eager to introduce you to BigBoxCo Light…. It's a new store and a new experience.[48]

The store employees had a very different opinion of this image, which they were asked to promote to their customers. As one worker commented,

> I think it is deceiving to many customers, and as a result I do a lot of explaining. Customers see the name "BigBoxCo" and expect more (better selection, [specific amenities], more [specific type of product])…. Our store is just not big enough to carry the name BigBoxCo; we need a physically bigger store…. It raises customer expectations to a level that we cannot support.[49]

"That's true. We did advertise for someone who 'works well under pressure'…"

As this illustration shows, managers and employees can make sense of the same "objective" change very differently. Without a mutual recognition of this, managers and employees operating on contrasting assumptions can create a dangerous collision course around what actions are sensible and ought to happen. What seems like a strategic decision for top managers might threaten employee identities and lead to strong resistance.

Managers can often forget that change, which appears to them to be an exercise in rational planning and decision making, is an emotionally laden process. It can be greeted with cynicism, fear, anxiety, or, as in the example above, with feelings of embarrassment, shame, or even dishonesty. On the other hand, change can be bolstered by excitement. "The tension between continuity and change [on the organizational level]," writes Huy, "also exists on the individual level…. Individuals are more likely to join collective action, such as implementing change, when there is trust, support, or organizational identification."[50] It follows then that how sensitively managers engage with their employees and address emotional challenges will have a dramatic impact on the success of a change initiative.[51]

One of the best ways to gain the all-important trust, support, *and* organizational identification of employees during change implementation is to involve them in structuring the implementation guidelines. McKinsey & Company, in a March 2010 global survey of why organizational changes succeed, found that

> …notably, employee engagement as early as the planning process emerges as a key success factor. Indeed, in successful transformations, executives say that identifying underlying mind-sets that would need to change was the approach used most often.
>
> Collaboration and cocreation also are important: nearly a quarter of the extremely successful transformations were planned by groups of 50 or more, compared to just 6 percent of unsuccessful transformation.[52]

Frontline employees sometimes become reluctant to provide suggestions during change because leaders never explicitly (or in practice) invite them into the process. Leaders can empower frontline employees around implementation and encourage them to experiment with ways of improving work tasks and processes. Front-line employees, in particular, are often a wealthy source of information about how the changing environment is affecting customers and operations. Indeed, the Prosci Center cautions managers "to not underestimate the importance of your employees in managing change."[53] It even offers a tutorial to help organizations improve the "change competency" of their frontline employees, stating that

> …an individual change model that helps each employee understand and navigate change is crucial. Employees must be taught how to manage change, how to identify why they might be having problems with a change, and how to overcome these problems once they occur.

Establishing and maintaining change competency, Prosci emphasizes, requires constant attention to making sure employees are aware of their role in the change management process, understand how being "change competent" benefits them individually, have the tools they need to cope and thrive in a changing environment, have appropriate coaching and support resources available (see the "How Organizations Foster the Creative Use of Resources" sidebar), and receive consistent, constant reinforcement of the value of organizational change through their job descriptions, their compensation and reward schemes, and their interactions with direct supervisors.

As Prosci and many others recognize, individuals who have a sense of ownership at work and are encouraged to experiment with ways of helping the organization adapt are incredibly valuable. Fostering ownership and experimentation, especially during change, might strike many as counterintuitive. During change, practitioners often divide work between strategists, who have ideas, and implementers, who simply apply those ideas. But such conventional wisdom discourages employee resourcefulness, causing leaders to miss the tremendous opportunity of mobilizing their staff to find novel ways of implementing change from a group of individuals often closest to products, services, and customers.

Getting Organizational Change Right

By its very nature, organizational change is fraught with risk. The old adage "better to be safe than sorry" probably resonates loudly with many business leaders as they consider the future of their organizations. The environment around them never stops to think about staying in one place to avoid danger, however. It is in constant flux. In all business sectors, energy included, regulations come and go, markets rise up and collapse, new technology puts old technology in the junk heap, and customer expectations, needs, and desires shift, sometimes rapidly, sometimes tectonically. At times, it may seem like a White Rabbit world where "the hurrieder you go the behinder you get."

Still, most executives realize that even maintaining the status quo requires movement. Like the proverbial shark that must keep swimming ahead to flourish, businesses need to move forward fast enough to at least keep pace with the competition while working with skill, talent, and dedication to take the lead. The popular television reality show *Shark Tank* proclaims that "Only the strong will survive." But success in business is more about constantly evolving in creative, intelligent, sensitive ways from top to bottom in the organization—in other words, by getting organizational change right. Adopting the five approaches to planning and implementing change offered here—

There is nothing more difficult to plan, more doubtful of success, nor more dangerous to manage, than the creation of a new system. Niccolo Machiavelli

- treating employees as resources rather than resisters,
- balancing decision making with sense making,
- becoming less reliant on planning,
- putting the power of stories to work, and
- engaging frontline employees

—will increase the chances of success in achieving the goals and resolving the issues that drive the need for change. It will also help establish and maintain a sense of forward positive movement that carries some risk but promises greater reward in the minds of everyone—senior management, middle managers and supervisors, and frontline employees—across the organization.

How Organizations Foster the Creative Use of Resources [1]

Research Issue and Objective	
Issue: Creativity and innovation drive organizational achievement in many areas, including the successful design and implementation of strategic change. Indeed, "strategic design, technology, culture, and organizational strategy may not be able to sustain [firms] very long unless organizations also establish a structure that continuously develops creative leaders to run and sustain the process. This strategy will help the organizations establish environments that are conducive to renewal, build organizational culture that encourages innovations, and establish organizational diversity that in turn helps these organizations remain competitive."[2] For creativity to take place, leaders must actively implement strategies that encourage it. This includes finding ways to make the best use of resources (everything an organization can access for creativity in a specific domain), whether	**Objective**: In this research, I sought to add clarity to the competing perspectives in scholarly and practitioner work around how resources foster creativity. To accomplish this, I focused on the critical organizational processes that connect resources and creativity over time, examining in particular how the resources themselves shape creative activities inside organizations. In pursuing this investigation, I drew from and built on research in resourcing, which sees resources as malleable objects that can be shaped [employed in various innovative ways] by individuals. This perspective contrasts with the perspective of creativity scholars and other organizational theorists, who historically have viewed resources as fixed [unchangeable in

abundant or scarce. Some scholars suggest that more abundant resources are a prerequisite to creative action by providing individuals with what they need for creative action and through the symbolic effect of demonstrating an organization's commitment to a project; furthermore, a firm's excess resources allow for learning and experimentation. On the other hand, some scholars argue that limited resources foster creativity by enhancing task challenges and generating urgency. Conversely, better-endowed organizations may struggle with creativity because too many resources can lead to wasteful spending and a lack of urgency.

What makes adjudicating between these diverging perspectives on resources and creativity difficult is that scholars rarely study the creative activities of employees over time. As a result, they have limited knowledge about what explains ongoing creative activity (or its absence) as access to resources change.

purpose] entities. Instead of viewing a resource as having a single use, the resourcing perspective I adopted makes a critical distinction between an object (i.e., a tangible and/or intangible asset employees must act on) and a resource (an object that has been acted on to make it useful). While an object is anything with innate qualities that may make it useful, until individuals take action on those qualities the object does not fulfill its potential as a resource. For example, in the firm I focused on in this study, one individual reimagined and relabeled a large quantity of inferior, unsellable tube dresses as "beach cover-ups," marked them down a small amount, and "blew through 50, 60, 70 of them really, really fast."

In revising how scholars view resources in the context of creativity, I move the conversation in the literature away from simply examining the relationship between resource quantity and creativity and toward how actions shape and generate the very resources that constitute and facilitate creative activities.

The potential benefits of this research for firms engaged in strategic change include developing practices that foster the ongoing creativity needed for organizations to constantly adapt as they move between changing resource environments.

Research Methodology

#1: In this research, I employed a single-site case study design, collecting data from BoutiqueCo (a pseudonym), a fast-growing retailer that owns and operates stores in lifestyle centers, malls, and urban areas of the United States and sells products such as clothing, jewelry, accessories, and gift items to predominantly female customers. This study examined BoutiqueCo as it grew from a small, family business into a large, public chain of retail stores valued at approximately $1 billion. I selected BoutiqueCo

#2: I interviewed BoutiqueCo home office employees and regional managers (19), including most of the top management team, as well as store employees (41) such as store managers and sales associates. The questions broadly focused on employee roles at BoutiqueCo and the work they did, the organization's culture (which emphasizes creativity), and the consequences of the organization's growth.

In addition to interviews, I observed store activities for more than

#3: I used a grounded theory approach that involved three primary steps. First, with interview and observation data, I used open coding or in-vivo coding to capture how participants viewed and "interpreted" their organization.

Second, using five aggregate theoretical dimensions (perceived resource endowment, resourcing identity, regulating objects, creative resourcing, and problem solving) as a foundation, I used memo writing to help because I learned it would likely go through major changes—particularly, rapid growth. I wondered how its culture, which emphasizes creativity, might change because of this growth.

To unfold the case, I separate the organization into two periods: family ownership and investor ownership. This reflects not only differences in how informants interpreted the organization but also follows research that posits that different capital structures have dramatic impacts on how organizations operate.

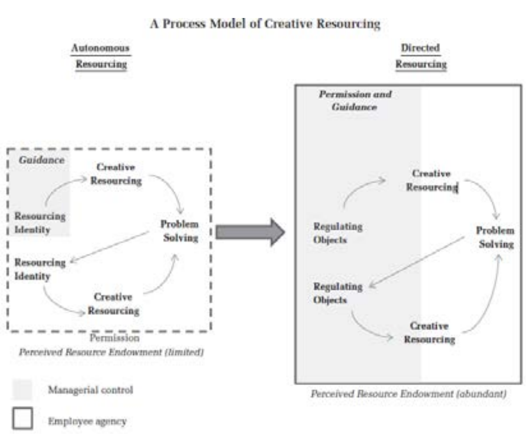
sixty hours, mostly during the investor period.

I also collected 151 documents, including proprietary communications between the home office and field organization and key strategy and operational documents from the family and investor ownership periods. These documents provided a running history of the organization and helped ground some of my findings.

organize my emerging thoughts as I cycled through multiple examinations of the data to link the various “meaning” codes in different ways.

Third, to ensure its credibility, I carefully managed data collection using specialized software to store interview transcripts, field notes, and documents. As my theoretical account formed, I tested my interpretations by reviewing all the data again, looking for confirming and disconfirming evidence. After reaching provisional conclusions, I asked key informants for feedback about whether my interpretations of the organization were consistent with theirs. Furthermore, I used multiple data sources to corroborate my interpretations and only included findings present in several data sources. Finally, I engaged in peer debriefing and discussed my emerging theory with colleagues not involved in the study.

Research Findings, Conclusions, and Implications



Based on my findings, I proposed a process model of how managers facilitate creative resourcing as perceived resource endowments increase over time. The model depicts two resourcing processes: autonomous resourcing and directed resourcing. The two resourcing processes explain the different ways that managers respond to perceived resource endowments to shape the creative acts of employees.

Autonomous resourcing explains how managers facilitate creative resourcing by shaping the identities of employees. I label this process as "autonomous" because once managers start shaping employee identities as creative owners of their stores, creative resourcing takes place with minimal managerial action. Instead, employees enact a resourcing identity (creative owners), interpreting themselves as responsible for solutions in their stores.

In contrast to autonomous resourcing, directed resourcing involves greater ongoing managerial control over creative resourcing. The central mechanism in directed resourcing is managers' regulation of objects. When managers interpret an abundant resource endowment, they withhold objects as a means of motivating employees to use resources creatively, in particular by denying fixed objects that would limit employee actions in solving problems. Instead, managers provide dynamic objects that shape but do not fully determine how creative resourcing unfolds.

My findings suggest two key practical implications. First, rather than focus on resource quantity with regard to fostering creativity, firms can look more at the actions managers and employees take in response to their perceived resource endowment. Second, while creativity research has developed important practical insights into factors that explain employee creative actions—for example, personal characteristics, intrinsic motivation, and leader-team member exchanges—my findings suggest other ways managers can spark creative activity through fostering a creative mindset (resourcing identity) and regulating the types objects provided to employees as resources.

By spotlighting crucial actions managers and employees take to encourage and maintain creativity in environments with changing resource endowments, I have expanded the knowledge and understanding of critical processes that can help achieve the elusive goal of nurturing ongoing creativity as organizations grow. In doing so, this research broadens the creativity conversation beyond resource quantity to how managers and employees respond to perceived resource endowments. Specifically, this research offers a valuable depiction of key organizational processes that can evoke and enhance the skilled actions of managers and employees engaging in creative activities. Returning to my opening question, necessity can be the mother of all creativity. Similarly, an abundance of resources can spark creativity. But whether each type of resource endowment leads to sustained creativity depends on the interpretations and actions of managers and employees.

What managers might take away from this research is that even as firms grow, they can retain a culture of creativity and innovation by following a set of practices associated with directed resourcing. For firms with limited resources, autonomous resourcing provides an important avenue to foster the creativity that often helps drive positive change in organizations.

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