2 *HOW* TO LEAD ORGANIZATIONAL CHANGE: FRAMEWORKS

LEARNING OBJECTIVES

- Articulate the importance of using a structured approach to leading and instituting organizational change.
- Explain the similarities and differences among the frameworks that guide the processes of how to create organizational change.
- State the meaning of the three stages of Lewin's model of change.
- List Kotter's eight stages of organizational change and the meaning of each stage.
- Use Gentile's Giving Voice to Values approach to guide ethical considerations and decisions when leading organizational change.
- Record Duck's five-stage model of change, the emotional content of each stage, and how you might use this model to lead change.
- Summarize the four stages of the Change Path Model.
- Note your questions about the Change Path Model as you begin an in-depth study of each stage in this book's following chapters.

The four organizational change models and the Giving Voice to Values ethical decision-making model will help leaders articulate their approach to change and provide guideposts for instituting transformations. Just as an athlete needs different types of training and equipment to play and succeed at different sports (think of the difference between a professional baseball player and a downhill skiing professional), so too does the change leader need different frameworks to apply to specific situations.

WHY SYSTEMATICALLY LEARN ABOUT ORGANIZATIONAL CHANGE?

Sweeping demographic changes, technological advances, geopolitical shifts, and demands to be sensitive to our physical environment are combining with concerns for security and organizational governance to generate significant pressure for organizational change. Awareness of the political, economic, sociological, technological, ecological/

environmental, and legal aspects of any organization's external environment forewarns managers to pay attention to multiple factors. Furthermore, it alerts managers to attend to their organizations' environmental contexts and to decide whether they need to take some action as a result.

Over the past two decades, McDonald's has been one of many organizations that scanned its environment and made changes to its products and organization as a result of shifts in its external environments. The recession of 2008–2009 put pricing pressure on the restaurant business, and McDonald's responded with a continuous stream of new products. It had introduced the snack wrap, several salads, specialty coffees, and, most recently, the Angus burger, a 1/3-lb. burger.[1]

These product innovations led to increases in store sales and improved profits. McDonald's has also embraced the "green movement" with major initiatives in the areas of sustainability and corporate social responsibility and public reporting of their progress. In 2023, McDonald's articulated one green goal: "We're aiming for 100% certified, recycled or renewable guest packaging materials by the end of 2025. Our ambition is to drastically reduce plastics and offer sustainable Happy Meal toys and transition to more sustainable materials by the end of 2025."[2]

Another trend that has challenged McDonald's creativity is the "eat local" movement, in which consumers are encouraged to eat locally grown foods. In the international market, McDonald's established a variety of partnerships to create a more localized experience for local consumers. For example, McDonald's now offers Red Bean Pie in Hong Kong.[3] In the United States, McDonald's has used a message about locally grown foods in its advertising. At first, it was slow to commit to using verifiable metrics to support these claims,[4] but it has improved in this area over the years. To make these product decisions, McDonald's managers had to evaluate environmental shifts and assess their relevance to the organization's strategy and the probability of its continued effectiveness.[5]

In the early 2000s, scientific evidence linked childhood obesity in the United States with kids eating fast-food meals that were loaded with calories, sodium, sugar, and saturated fats. McDonald's Happy Meal was one such example. By 2018, in partnership with the Alliance for a Healthier Generation, McDonalds had set goals to improve the nutrition and limit the calories in its Happy Meals in the United States. Simultaneously, the fast-food giant analyzed how it could enact its corporate mission: "to be our customers' favorite place and way to eat and drink." In January 2019, McDonald's announced that it, too, would add bacon to its menu: customers could buy cheesy bacon fries (cheese and bacon were added to their iconic French fries), a Big Mac Bacon burger, and a Quarter Pounder Bacon burger. Bacon, the company noted, earned 17,000 mentions a day on U.S. online platforms, and the company wanted to get on board with the trend. McDonald's executives examined the bacon trend and decided that product changes were necessary. High-calorie bacon vs. lower-calorie vegetarian options require executives to make value-driven decisions before they implement changes, such as adding bacon cheeseburgers to their menus. Clearly, across the U.S., different customers want to eat different types of food!

In spring 2022, McDonald's and other U.S.-based firms faced another crisis: how should they respond to Russia's invasion of Ukraine? In March, McDonald's temporarily closed its 850 outlets, but by May, corporate leaders had decided to sell their Russian restaurants and did so quickly. In 2021, the Russian and Ukrainian stores had accounted for 9% of McDonald's global sales. Only a year later, the corporation needed to write off a charge of up to $1.4 billion.

The McDonald's example illustrates the number and diversity of changes an organization goes through over a decade or two: from global financial crisis, changing consumer preferences, and social responsibility demands to loss of market share because of military actions. If managers are to learn a lesson from McDonald's, it will be that continuous and unexpected changes in the external environment provide powerful clues about how an organization's products and services need to change quickly in order to sustain—but, they hope, also gain—competitive advantage. The rapidity of changes in the marketplace makes acquiring, analyzing, and then acting on data *immediately* a demanding skill set for organizational leaders.

DIFFERENTIATING *HOW* TO CHANGE FROM *WHAT* TO CHANGE

The complexity of change can be simplified somewhat by recognizing that two distinct aspects of organizational change must be addressed. Managers must decide both **How** (process) to lead organizational change and **What** (content) to change in an organization. The example below highlights the difference between the "how" and "what" of change.

Imagine that you are the general manager of a major hotel chain, and you received the following customer letter of complaint:

A LETTER OF COMPLAINT

Dear Sir:

As a customer of yours, I wanted to provide you with our experiences at ATMI, your London, England, hotel.[6] I have reflected on my experience and decided to provide you with feedback—particularly given your promise on your website—the Hospitality Promise Program.

My wife and I arrived around 10 p.m. after a flight from North America and the usual tiring immigration procedures, baggage check, and finding our way to your hotel. The initial greeting was courteous and appropriate. We were checked in; the desk person asked if we wished for a room upgrade. After I clarified that this would cost money, I declined that proposal.

We then went to our room on the 3rd floor, I believe, and discovered it was a disaster, totally not made up. I phoned the switchboard and was put through to reception immediately. There were profuse apologies, and we were told that someone would be up immediately with another key.

Within 5 minutes, someone met us with a key to a room on the 5th floor, a quick, fast response. However, when we got to the new room, it was not made up!

Again, I phoned the switchboard. The operator said, "This shouldn't have happened. I will put you through to the night manager." I said that was not necessary, I just wanted a room. However, the operator insisted, and I was put through to the night manager. Again, there were profuse apologies and the manager said, "This shouldn't have happened. I will fix this and get right back to you." I indicated that I just wanted a room—I didn't want the organization fixed, just a room. The manager repeated, "I will get right back to you."

We waited 5, 10, 15 minutes. Inexplicably, the manager did not return the call even though he said he would.

Finally, around 20 minutes later, I phoned the switchboard again. I said we were waiting for a room and that the night manager had promised to call me back. The operator said, "This is probably my fault as I was doing work for the assistant manager." I did not and do not understand this part of the conversation, but again, I was told that they would call right back. Again, I repeated, "I just need a room."

I waited another 5 minutes—it was now 11 p.m. and we were quite tired—there was no return phone call.

My wife and I went down to reception, waited, and after a brief time were motioned forward by the person who registered us initially. I explained that we needed a room. He said, "You were taken care of. You got a room." I stated that "No, I did not have a room, I just had two rooms that were not made up and we needed a clean one for the night."

Again, there were profuse apologies. The reception person then said, "Excuse me, just for a moment, so I can fix this." I said, "Really, I just would like a room." The person at the reception desk went around the corner and began to berate someone working there. This went on for several minutes. He then returned to his station, called me forward again, apologized again, and located a third room for us. Also, he gave us coupons for a complimentary breakfast.

This third room was made up. It was "more tired" than the previous rooms, but it was clean, and we were delighted to find a spot to sleep.

In the middle of the night, as is the norm in many places, the invoice was delivered to our room. To our surprise, a £72 charge was added to the price of the room for a "room change."

Of course, early the next morning, I queued up to discuss this charge. The same reception person was still on duty. He motioned me forward and then immediately left to open up all the computer stations in the reception area. He had a tendency to not make eye contact. This may have been a cultural phenomenon, or it may have been his dismay at having to deal with me again. I cannot say.

I showed him the invoice. He said, "Oh, there will be no charge for that room." I said that I was concerned, as the invoice did show the charge. He said, "It is taken care of." I said, "Regardless, I would like something to prove that there would not be another charge to my credit card." After one further exchange and insistence on my part, he removed the charge from my invoice.

My wife and I had a pleasant breakfast and appreciated it being complimentary.

We thought that you would want to know about our experience. Customer service is a critical part of the hospitality industry, and I am certain that ATMI would wish feedback on experiences such as these.

I am interested in such things and look forward to your reply.

Yours truly,

The list of actions done poorly and the organizational issues that exist at this hotel are extensive. Identifying this list of what needs attention is relatively easy. The desk clerk has twice assigned rooms that were unready. This indicates that the system used to record and track information on the condition of the rooms is either nonexistent or not working properly. One wonders if someone is responsible for monitoring the housekeepers' performance. There are managerial issues—a manager promises to get back to a customer and doesn't. There are organizational culture issues—the excuses by the switchboard operator and yelling by the reception person. There are further system issues as indicated by the £72 charge for a room change. There are some service training issues—the responses by the receptionist were variable. He was quick to send up a second room key but left the customer standing while he turned on the computers. He was reluctant to reverse the extra room charge. There is some hint that there might be other cultural issues that are pertinent.

However, it is not clear how the general manager should proceed with the necessary changes. First off, how accurate is the letter? Can the general manager accept it, or does he have to investigate? Assuming the letter reflects the experiences of more than one unhappy customer, then the general manager still faces the "how" question. If the computer system for tracking room availability does not exist, then it is relatively straightforward to buy and install one. However, if the system exists but is not being used, how does the general manager get the staff to use the system effectively? Closer supervision and training might work, but who can do that, and who will pay for it? Even more difficult are the organizational and cultural issues. The norm among employees appears to be to make excuses and to "berate" others when things go wrong. A manager can tell employees that these behaviors are inappropriate, but how does one persuade employees not to respond abusively? And how will the general manager know if and when the changes are implemented? Is there a system in place to track customer and employee satisfaction? Are these several systems worth the cost they impose on the organization?

Clearly, managers must know what needs to change. However, how to go about making change requires careful thought and planning. The models below may help you to think about the process of change and how to make it happen.

The Processes of Organizational Change

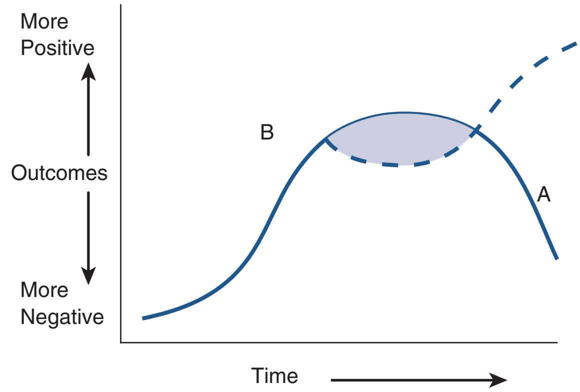
Many leaders know what they need to achieve, but they just don't know how to get there. An examination of competitors' initiatives and accomplishments, customers' behavior, and other data from environmental scans will provide cues as to what is needed, but moving one's organization to successfully address these factors and related opportunities is difficult.

Why is it so difficult to accomplish organizational change?

A web of tightly woven factors makes organizational change difficult. However, one common cause might lie in practices that might have been effective in the past but are no longer appropriate: this can be called the "failure of success." Organizations learned what worked and what didn't. They developed systems that exploited that knowledge and established rules, policies, procedures, and decision frameworks that capitalized on previous successes. Further, they hired staff that had skills and abilities that fit well with those systems and developed patterned responses (habits), assumptions, attributions, and expectations that influenced the ways employees thought about how the world worked.[7] These beliefs and ingrained responses formed a strong resistant force, which encouraged people and their organizations to maintain old patterns regardless of feedback that they were no longer appropriate. In many respects, this is where the questions of what to change and how to change intersect.

Charles Handy describes some of these dilemmas by examining the pattern of success over time.[8] As he so aptly said, too often "by the time you know where you ought to go, it's too late" (p. 50). He describes a **sigmoid curve** that outlines where one should begin changing and where it becomes obvious that one needs to change (see Figure 2.1). This curve depicts the outcomes of a system as a curve that increases during early-stage development and growth phases, flattens at maturity, and shifts into decline over time. Consider the path tracked by successful technological innovations. Once an innovation demonstrates its value to key early adopters, sales take off. As others see the benefits of the innovation, they adopt it as well. Patents and proprietary knowledge provide some protection, but over time, competitors launch similar products, profit margins become squeezed, and sales growth slows due to increased competition and the level of market saturation. This leads to a flattening of the curve, referred to as the maturity phase. Decline follows as the

FIGURE 2.1 ■ The Sigmoid Curve



Source: Adapted from Charles Handy, *The Age of Paradox* (Boston, MA: Harvard Business School Press, 1994), 50.

market becomes increasingly saturated and competitive, and this decline accelerates with the arrival of a new, disruptive innovation that attracts customers away from the existing product or service. Think of what happened to the VCR players when DVD players arrived on the scene. Consider how prices fell for DVD players in the face of competition. Now, video streaming has eclipsed the market for DVDs. DVDs are becoming obsolete as more companies offer streaming services and the number of outlets providing customer access to DVDs declines.

The time to introduce change is at point B when the system is growing. The dilemma is that in the short run, the costs are likely to be greater than the benefits. It is only when the new changes are adopted and the system is working well that the outcomes' curve turns upward again. One dilemma is that the costs of change are real and include adding people and shifting production lines, while the benefits of change are uncertain. Managers believe the changes will improve productivity and profits, but that may not occur immediately. By holding off investing in change, an organization may improve its profits in the short run. However, if environmental conditions continue to change and the organization fails to adjust in a timely fashion, executives can quickly find themselves lagging their competitors, scrambling to adapt, and running to catch up. If management waits too long to adapt, then an organization may find it impossible to do so. The escalating rate of change, combined with the frequency and magnitude of disruptions being experienced by firms, point to the dangers of being laggards.

By the time the system reaches point A, the need for change is obvious, but it may also be too late for the organization to survive without experiencing significant trauma. Positive planned change needs to be commenced sooner in the process—before things deteriorate to a crisis or disaster stage. Unfortunately, change typically comes with costs that appear to lessen the positive outcomes in the short run. As many know, convincing anyone that they should incur costs, make investments, and initiate changes now for long-run benefits is a difficult selling task, particularly if the financial performance of the firm is steady. This is depicted as the shaded space between the solid and dotted lines beginning at point B in Figure 2.1. The costs of change appear certain and are tangible. But the benefits are uncertain and often vaguely defined. The time after point B is a time of two competing views of the future, and people will have difficulty abandoning the first curve (the one they are on) until they are convinced of the benefits of the new curve. In concrete terms, creating change at point B means convincing others about the wisdom of spending time and money now for an uncertain future return.

In the following pages, we present five models for thinking about how to change organizations. These models are both discrete and complementary. What follows is an overview of what each model offers.

- Lewin's model is a simple representation of the main change steps, making it useful for communicating the overall change process to participants.
- Kotter's model provides a detailed map of the change process in terms of what each step needs to achieve (i.e., the key success factors of a change initiative), which is useful for planning and implementing.
- Gentile provides individual-level guidance for pushing back and responding skillfully and effectively to people and situations that contradict a person's values; this approach may or may not make systemic change, but it gives an individual the mindset and tools to change an unethical situation.
- Duck offers guidance on how to support employees with the emotional issues associated with organizational change.
- This book's Change Path Model maps a change process with four stages, each of which has a set of activities with a systems-level view (following Lewin) that also reflects organizational-level factors (e.g., operations, control, and measures).

The models have more similarities than differences.

- Each is a process model (i.e., they all depict *how* change should happen).
- Two are descriptive (Lewin and Duck), two are prescriptive (Kotter, and Gentile), and this book's Change Path Model combines both.
- One is system level (Lewin); two are organizational level (Kotter and our Change Path Model); and two are individual level (Gentile and Duck).
- The models describe many of the same processes but approach them through varying levels of granularity and with different lenses (e.g., emotions with Duck, managerial tasks with Kotter).

Organizational change most often requires altering at multiple levels: individual, team or unit, division, and the organization. Learning and applying more than one model will give the change leader multiple ways for analyzing the institution's change needs and a large set of tools with which to work.

(1) STAGE THEORY OF CHANGE: LEWIN

Our first model is a basic step model. Seventy years ago, Kurt Lewin[9] wrote about the problem of how to bring about change. He described a three-stage model of change:

Unfreeze → Change → Refreeze

Lewin stated that we need to understand the situation and the system as a whole as well as the component parts that make up the system. Before change can occur, an unfreezing process must happen within that system. **Unfreezing** focuses on the need to dislodge the beliefs and assumptions of those who need to engage in systemic alterations to the status quo. The unfreezing process might occur because of some crisis. For example, new competitive products that are attacking the major profit centers of a private enterprise might be a sufficient shock to the organization to "unfreeze" patterns. In this example, the balance in the system must be disrupted or broken in order to permit conditions for change to develop. Some top managers even talk about "creating a crisis" in order to develop the sense of urgency around the need for change.[10]

When this unfreezing occurs, the people who are embedded in the systems become susceptible to change. Systems and structures, beliefs, and habits become fluid and thus can shift more easily. Once the change has been completed, these systems, structures, beliefs, and habits can refreeze or become solidified again into their new structures and habits.

To illustrate Lewin's model, refer to the prior Letter of Complaint and examine the comments below.

Unfreeze

Will this letter of complaint be sufficient to "unfreeze" the general manager and move them to action? If this is a single letter, it is highly unlikely that change will occur. If complaints are common for this hotel, this might be seen as just one more letter in a pile—background noise in running the hotel. The letter suggests that this might be an airport hotel in London, England. The location of the hotel might be such that customer service shortfalls might not make a difference to occupancy rates, whereas minimizing costs would be crucial to the hotel's profitability. In all the above scenarios, no unfreezing would take place.

However, this letter may represent an initiative that captures managerial attention and promotes action. The general manager might be facing declining occupancy and view this letter as a signal of where problems lie. A comparison with other hotels on measures of profitability and customer satisfaction might demonstrate the dramatic need for change that the letter foreshadowed. In this situation, the general manager's views on the existing system are more likely to be unfrozen, and he would be ready for change.

Note that the unfreezing must take place at many levels. The general manager might be ready for change, but the employees at the reception desk might think things are just fine. Their perceptions need unfreezing as well! The integration and interdependence of systems and people require us to think about the unfreezing of the organizational system as a whole.

Change

Assume that the general manager accepts the need to improve the system that indicates that rooms are ready for occupancy. He must decide what else needs to change to bring about the needed improvements. He could begin by hiring a quality-control person who is charged with inspecting and certifying all rooms before they are entered into the system as "ready to use." Some computer programming may be needed to flag rooms when they are ready, and the quality-control person must be responsible for managing that flag subsystem. The quality-control person will have to be recruited, hired, and trained if management cannot promote an appropriate internal person. Once the room-quality system has been designed and procedures are in place, all receptionists will have to be trained. This change could be a participatory process with the involvement of staff; or the general manager could have it designed and order its implementation. Either way, the change process would be complex, involving a number of people and systems.

During this phase, there would be considerable uncertainty. The new system could be ready before the quality-control person is hired and trained. Or the reverse could be true: the person may be hired and trained, but the room-quality system is not ready. Employees might see opportunities to improve what is being proposed and make suggestions regarding those improvements. Regardless of the specifics, the organization will be in flux as the general manager analyzes the organization's problems and decides how to implement changes: in other words, the manager will need to decide who will do what, when, where, why, and how.

Refreeze: or More Appropriately Re-Gel

Once the changes are designed and implemented, employees will need to adapt to those changes and develop new patterns and habits. The new flag system will alter how those at reception and in housekeeping do their work. They may informally ask the quality-control person to check certain rooms first if these are in higher demand. The general manager will follow up to see how the system is working and what people are doing. New reporting patterns need to be established, and the quality-control person might begin passing on valuable information to hotel maintenance and housekeeping regarding the condition of particular rooms. At this point, the system settles into a new set of balances and relative stability. With this stability comes refreezing, as the new processes, procedures, and behaviors become the new "normal" practices of the organization.

What do we mean by this notion of relative stability and predictability that comes with refreezing? It stems from the observation that organizational systems, composed of tasks, formal systems, informal ways of behaving, and individuals, develop over time an interdependent state of balance called *homeostasis*. Perturbations or shifts in one part of the system are resisted, or swings away from balance are countered and balance is regained. As suggested earlier, managers may introduce change initiatives only to have those initiatives fail because of existing systems, processes, or relationships that work against the change. Planned changes in structures and roles may be seen as decreasing the power and influence of certain individuals or groups, and these groups may react in complex ways to resist change. For permanent change, new structures and roles are needed, and new points of balance or homeostasis must be developed.

The image of a spider's web can help to depict the phenomenon. That is, view the organization as a complex web of systems, personal relationships, organizational structures, and processes that are interconnected and interdependent over time. Altering one strand of the web is not likely to shift working patterns significantly. To do that requires a breaking of many interconnected items—the "unfreezing" in Lewin's terms.

This simple model has stood the test of time. Change agents find it useful both because of its simplicity and because it reminds us that you can't expect change unless the system is unfrozen first. We may need other, more complex models of the organization to think through what must be unfrozen and changed, but Lewin forces us to recognize the rigidity that comes with stability and interconnectedness within existing systems, relationships, and beliefs.

However, several concerns prevent us from wholeheartedly embracing this model. First, the model oversimplifies the process of change and suggests that change is linear. The reality is that change tends to be complex, interactive, and emergent. Second, the creation of the need for change deserves more attention. It is not merely a matter of moving individuals away from their assumptions about the current state. Rather, they need to have a vision of a future desirable state. Finally, the model implies that refreezing is acceptable as a frame of mind. This seems problematic because it implies that change is a discrete event rather than a continuous process. In today's rapidly changing world, organizations find that pressures to adapt mean they are never "refrozen"—and if they are, they are in trouble.

Organizations that freeze too firmly may fail to thaw in time, when new markets and customers appear. They may refuse to incorporate feedback in making useful changes. Continuous improvement programs may appear faddish, but they reflect a realistic view of what is needed in a dynamic environment because they enhance an organization's adaptive capacity. Thus, there is concern with the image created by the word "**refreeze**," as this is likely too static a condition for long-term organizational health. In discussions with managers, we find the phrase "re-gelling" to have appeal as a state between total fluidity of a liquid and the excess rigidity of a solid. Since Lewin articulated his framework of organizational change in the early 1950s, it is likely that he, too, would have modified his framework for change.

(2) EIGHT-STAGE MODEL OF ORGANIZATIONAL CHANGE: KOTTER

This second model describes a highly structured step-by-step process that overcomes the problem of simplification of Lewin's model. In 1996, Harvard Business School Professor John Kotter published *Leading Change*.[11] His eight-stage process argues that an organization must successfully go through each phase in sequence. For example, failing to establish a sense of urgency throughout an organization (step 1) may explain a leader's inability to communicate effectively a vision for change (step 4). Kotter's framework helps managers know what they should do, when they should take specific actions, and when and how they are ready to move to the next stage.

Kotter's Eight-Stage Process

Kotter's highly structured eight stages of change follow:

1. **Establish a sense of urgency:** In older, well-established organizations, a sense of complacency may have set in. Leaders need to illustrate the threats to the system and move enough organizational members from a sense of invulnerability to vulnerability.
2. **Create a guiding coalition:** Select a significant number of people (10 to 50) who have titles and lead divisions and departments, have the respect of their colleagues, and have relevant knowledge. This group should be aligned and know that change is needed.
3. **Develop a vision and strategy:** People need an overarching dream of an inspiring future. From this vision come the implementation plans and steps.

4. **Communicate the change vision:** Capture the hearts and minds of most employees by communicating through multiple channels and multiple times the vision for change.
5. **Empower employees** for broad-based action: large numbers of employees need to embrace the vision and then organizational structures, human resources systems, and a myriad of other internal organizational mechanisms need to support rather than block the change.
6. **Generate short-term wins:** Large-scale organizational change may take 3 to 5 years, and yet employees need to see evidence of successful change within 18 months (p. 11). Highlight short-term gains to keep employees motivated.
7. **Consolidate gains and produce more change:** Since it takes years for organizational change to become a part of an organization's DNA, many leaders stop too soon. Keep pressing forward until the change seeps into the deepest recesses of an organization.
8. **Anchor new approaches** in the culture: Make sure that the change is embedded in the organization's cultural norms and values.

The heightened need for agility in the face of escalating rates of change, the challenge of closing the gap between the current mode of operation and the desired future state, and the collateral challenges related to managing the transition have caused Kotter to offer additional advice in this area. Goods, services, and the value promise still need to be delivered upon as the changes are pursued. To "accelerate" the process (Kotter's words), he recommends a new strategy designed to augment his original eight steps.

Kotter sees these accelerators as concurrent and always at work, energized by a volunteer army and nested in a flexible and agile network. His eight accelerators are (1) create a sense of urgency around a single, big opportunity; (2) build and maintain a guiding coalition; (3) formulate a strategic vision and develop change initiatives designed to capitalize on the big opportunity; (4) communicate the vision and the strategy to create buy-in and attract a growing volunteer army; (5) accelerate movement toward the vision and the opportunity by ensuring the network removes barriers; (6) celebrate visible, significant short-term wins; (7) never let up—keep learning from experience and don't declare victory too soon; and (8) institutionalize strategic changes in the culture.[12]

(3) GIVING VOICE TO VALUES: GENTILE

The third model focuses on the ethical implications of people's actions. Pick up any newspaper or magazine, and one finds stories about personal, corporate, or governmental malfeasance; accounts of injustice; and reports of individual violence against peers and society's vulnerable members. An underlying issue in most of these situations is an organizational climate that does not effectively manage individual and group behavior. Take the multiple scandals at Wells Fargo. In April 2018, the bank agreed to pay $1 billion to settle U.S. federal government probes into its mistreatment of consumers. The settlement covered problems in Wells Fargo's auto-lending and mortgage divisions. In 2017, the bank had revealed that its employees had forced customers who took out car loans to buy unwanted insurance. Other employees imposed inappropriate charges for locking in interest rates on new home loans. In October 2016, CEO John Stumpf resigned abruptly as pressure mounted from the public and lawmakers because of these scandals.

With numerous examples of corruption and fraud, educator and research scholar Mary Gentile decided to develop *Giving Voice to Values*, a program—at first for business students—to support people's development of confidence and skills that would allow them to speak and act their values effectively when faced with a situation that runs counter to their principles. Gentile's *Giving Voice to Values* (GVV) curriculum[13] takes people through a learning process that prepares them to expect values conflicts and provides the tools to intervene when they perceive wrongdoing.

The GVV curriculum focuses on the practical application of skills needed to push back and respond skillfully and effectively to people and situations that contradict a person's values. The GVV curriculum consists of three parts that represent the process individuals need to work through to advocate for the need to change: the clarification and articulation of one's values; post–decision-making analysis and implementation plan; and the practice of speaking one's values and receiving feedback.

1. **Clarification and articulation of one's values:** The GVV curriculum invites participants to consider the notion that there is a universality of values, and some researchers, such as Martin Seligman and Rushworth Kidder, have found a commonality of core values across cultures and religions. Kidder, who conducted a cross-cultural survey, identified a "list of five widely shared values: honesty, respect, responsibility, fairness, and compassion" (p. 30). The first step requires participants to articulate their values and the impact of acting on those values. This exercise encourages participants to take their often-implicit principles and make them explicit and public, an important first step in bringing about change.
2. **Post–decision-making analysis and implementation plan:** The GVV approach requires participants to examine case studies of protagonists who have been clear about their values and have effectively voiced their principles in difficult situations. These protagonists have concluded what is right, and the cases walk readers through their thinking and actions—to a point: then readers are invited to figure out what the protagonist might do to voice their values effectively. The analytical work for any situation can be further subdivided into three parts. First, participants engage in a stakeholder analysis. This is not the traditional "stakeholder analysis" that encourages a utilitarian weighing and making of trade-offs but rather is an effort to understand how to effectively influence key people. Second, people need to anticipate how stakeholders might respond to the protagonist's questioning of the stakeholders' actions. Gentile calls this the "reasons and rationalization" that a protagonist might expect from others. And third, Gentile asks, what levers can a protagonist use to persuade stakeholders to join the protagonist's vision?
3. The practice of speaking one's values and receiving feedback**:** One of the central tenets of GVV is the importance of "pre-scripting." As noted above, the GVV cases often invite readers to decide to whom the protagonist should talk and what she should say. Gentile believes that participants' practice in speaking their values after they have analyzed a situation "is both a cognitive exercise as

well as a behavioral and emotional one" (p. 173). Participants write out a script, speak the script in front of another participant, and receive feedback from a third participant—an observer who acts as a peer coach to the participant who is articulating the script. Delivering a script challenges participants to articulate often vaguely formed ideas, which deepens their sense that they will take action in difficult future situations.

GVV and Organizational Change

An assumption of this GVV approach is that prepared individuals will speak up, and in their speaking up, people will change the course of events in units, organizations, or even societies. The GVV cases provide numerous examples of people shifting the direction of their organizations. In the Helen Drinan case, for example, Drinan pushed back and spoke up when it seemed that a CEO of a hospital system would be let off the hook even though several women had accused the CEO of sexual harassment.[14] The publicity surrounding this case led the attorney general of Massachusetts to note the problems with governance of the hospital system; eventually, the Catholic Diocese of Boston was pushed to sell its hospitals. The point is this: When people think tactically and strategically about how to most effectively create change around a values conflict, the person or group can be successful. Sometimes, this process involves speaking up, and at other times the process involves gathering data, asking questions, building a coalition, and making alliances with key people. The point of the GVV approach is to prepare people to expect conflicts in values and then to take effective action for individual and organizational change. (See the case "Held Hostage in the 21st Century: Cybersecurity, Ransomware, and Crisis Management" at the end of this chapter to have a discussion about a difficult conflict in values within a small firm).

(4) EMOTIONAL TRANSITIONS THROUGH CHANGE: DUCK

The fourth model captures the people and their emotional responses to the change process. In *The Change Monster: The Human Forces That Fuel or Foil Corporate Transformation and Change*,[15] consultant Jeanie Daniel Duck argues that organizational change evolves in a predictable and manageable series of phases that she calls the "**Change Curve**." This Change Curve is a "simplification and an approximation" of complex, ambiguous, and volatile human emotions that accompany all types of organizational change, from externally driven mergers and acquisitions to internally planned and managed new programs.

Duck's Five-Stage Change Curve

Duck argues that people going through organizational change will have five predictable emotional responses. They are:

1. **Stagnation** occurs when people have their heads in the sand and have an insufficient sense of threat from the external world. This can only end with a forceful demand for change from the external environment, such as a merger or

acquisition, or from internal pressures for change from a strong internal leader. It is the leader's role to push people to see the truth of their situation and to wake them up.

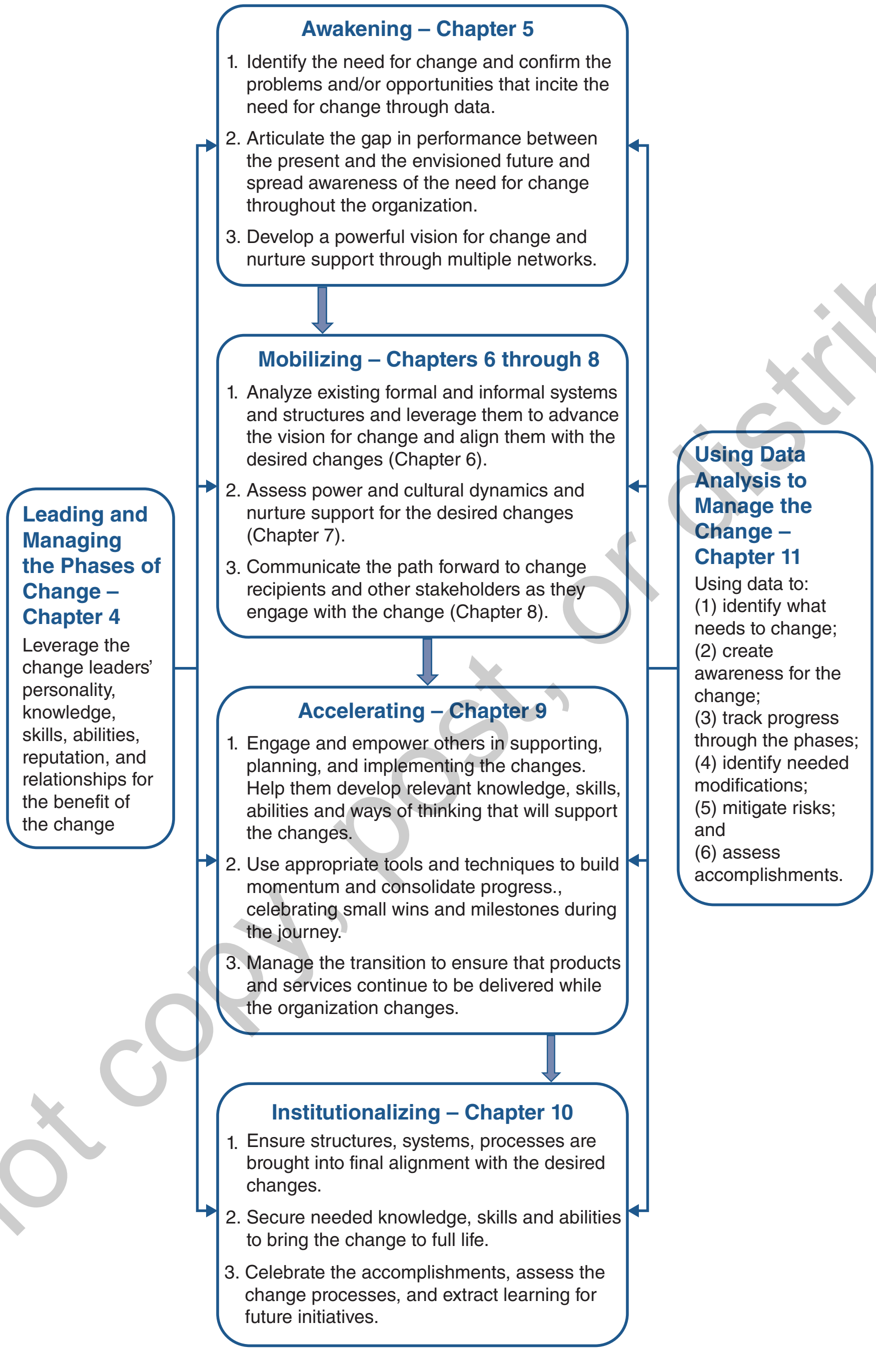
2. **Preparation** begins with a dramatic announcement of change from an internal person, such as the CEO, or from an external force, such as an announcement of a takeover. Immediately, some people feel anxious or jittery; others may be hopeful that needed change is coming; still others will retreat to cynicism and will not take the announcement seriously. When this rush of emotion occurs, productivity often goes down. This phase requires a tremendous amount of planning and operational work by the leaders. In addition, organizational leaders must be aligned for the planned change to succeed.
3. **Implementation** is when the journey begins. It includes designing new organizational structures, job descriptions, and lots of other detailed plans. However, operational changes are not enough: implementation also requires changing people's mindsets and work practices—in other words, people's emotional maps and habits.
4. **Determination** kicks in when people realize that the change is real and they will need "to live their work lives differently" (p. 30). Duck argues that "people long for an excuse to quit the hard path of transformation," requiring leaders to recognize this emotional trap and to pursue the new vision with high energy and enthusiasm.
5. **Fruition** is the time when the hard work pays off and the organization seems new. "The employees feel confident in themselves; they're optimistic and energized, and they're able to get their work done with less hassle, in less time, and with better results" (p. 34). Leaders need to make sure that this basking in the satisfaction of the change does not lead to napping and future stagnation.

In 1969, Elizabeth Kübler-Ross wrote in *On Death and Dying* about the five predictable emotional stages in terminally ill patients: denial, anger, bargaining, depression, and finally acceptance. She later said that these observable stages apply to children whose parents are going through divorce and to people who experience traumatic losses, such as parents whose child dies. Although Duck does not reference Kübler-Ross, Duck focuses on predictable human emotional responses to organizational change. In reality, people embrace change differently and at dissimilar speeds; Duck argues, however, that individuals go through similar emotional responses to change. It is the savvy leader who monitors their own emotional response to change, anticipates and articulates underlying negative and positive emotional responses to change in others, and then pulls the group through the negative to excitement and satisfaction with the new order.

(5) THE CHANGE PATH MODEL: DESZCA, INGOLS, AND ATANASSOVA

Extracting from the preceding models, years of consulting work, and decades of teaching and talking with managers and executives about change, the **Change Path Model** combines process and prescription. (See Figure 2.2 for a visualization of the Change Path Model.)

FIGURE 2.2 ■ The Change Path Model



Step 1: Awakening

Awakening begins with a Critical Organizational Analysis. Leaders need to scan continuously both their external and internal environments and understand the forces for and against any particular organizational shift. The most powerful drivers for change tend to originate outside organizations. These forces range from new legislation, new products launched by competitors, and new population trends to new technologies; in fact, it is usually an interlocking web of external factors that make environmental shifts so challenging for organizations to respond to effectively.

Leaders also need to understand deeply what is going on *inside* their own organizations. For example, are people with critical competencies leaving the organization? If yes, why is the turnover rate disturbingly high? What does the organization need to change to keep its valued employees? Or is the organization structure effectively supporting the achievement of organizational goals? How can operations and interdepartmental collaboration be improved?

Managers need *data* from all significant parts of their organization and stakeholders as well as from key PESTEL indicators, such as technology performance or current purchasing power, to understand the dynamics related to their institutions. Once external and internal data is compiled, leaders need to examine their organization's situation and talk about how the new challenges from the external and internal environments impact their institutions. Chapter 3 addresses how to diagnose an organization's problems, Chapter 4 explains the change leader role in this critical stage, and Chapter 5 focuses on identifying and clarifying the need for change, assessing the organization's readiness for change, and developing the vision for the change.

Step 2: Mobilizing

Mobilizing includes several significant actions. The determination of what specifically needs to change and the vision for change are developed and solidified by additional analyses and by engaging stakeholders in discussions concerning what needs to change and nurturing their participation in the change process. Many leaders assume that the need for change is easily recognizable, obvious, and evident from the environment. Sometimes, this occurs, but often, it is not the case. For example, if bankruptcy risks are rising or if profits have declined, some people in the organization may believe change is needed, but others may not, insisting on staying the course until external conditions improve. However, once change leaders are convinced of the need for change, it is their job to convince others from the top of the organization to the frontline staff that something new needs to happen.

Change leaders also need to recognize that there is often a lag between what they know as the result of their assessments and what is known by others in different parts of the organization. This lag in information spread requires change leaders to engage others through multiple communication channels so that they become convinced of the importance of changing now and not continuing to operate as they have in the past.

The development of the analysis of the present state and the definition of a desired future state leads to the solidification of the gap analysis—an image of the differences between where an organization presently is and where it needs and wants to go. A manager, for example, might have data showing that employee morale is low. To take appropriate action to improve employee morale, managers need to understand the root causes of the problem. Is it the pay system? Is it the performance management system? Is the problem found across the organization, or is it confined to certain divisions? The answers to these and other questions may suggest different courses of action. In Chapter 3, several frameworks are described for readers to develop a sophisticated checklist for organizational diagnosis. The gap analysis allows change leaders to clearly address the questions of why change is needed and what needs to change. Being able to clearly and succinctly communicate this, along with the vision for the change, is critical to building a shared understanding and support for the change in the organization. Think of this as the value of a clear, succinct, and compelling "elevator pitch" of what you have in mind and why it is worth undertaking.

The analyses of (a) formal structures, systems, and processes; (b) the power and cultural dynamics of the organization; (c) the various stakeholders; (d) the recipients of the change; and (e) the change agents themselves all help to complete an understanding of the situation and the gaps that need attention. In addition to identifying the gaps that must be addressed, these analyses also help change leaders to understand how the existing situation can be leveraged in order to increase the prospects for success. For example, change leaders need to consider how existing systems and processes can be used to advance the change and how influence can be exercised and support built for the undertaking. Further, they need to assess how their own skills and abilities are best deployed to advance the changes, which is the focus of Chapter 4.

Step 3: Accelerating

Accelerating involves action planning and implementing. It takes the insights gained during the awakening and mobilizing stages and translates them into the development and activation of a detailed plan for action to bring the change to life. Appropriate tools are deployed to manage the plan, build momentum, and manage the transition. People are systematically reached out to, engaged, and empowered to advance the change. Needed new knowledge, skills, abilities, and ways of thinking are developed in employees to support the change. Finally, small wins and the achievement of milestones along the way need to be celebrated. Successful acceleration requires the establishment of a set of metrics that track the application of change and the outcomes as well as reporting mechanisms.

While the stages of the change process, including accelerating, are depicted as linear and straightforward, the reality is usually quite different. Managing change while operating the organization is like changing the tire on a moving car. Situations can change in unanticipated ways, and change leaders need to learn and adapt their understanding of the condition and what is needed as they go. The way the change is communicated, the specifics of the change, and its implementation may also need to be adapted for different parts of the organization to help them better understand and implement the change within their specific contexts (e.g., production vs. marketing). Transition management plays an important part in doing just that.

Step 4: Institutionalizing

Institutionalizing involves the successful conclusion of the transition to the desired new state. This is aided by the sophisticated monitoring of progress along the way, including the assessment of when the changes have been incorporated into the fabric of the organization. Change agents will need to continue to monitor the change processes: assessing, for example, the skills of employees who have taken on new tasks and roles. Do these employees need training? If yes, what kind of training? In addition, the change metrics should be reviewed and reported regularly so that any challenges are immediately addressed. Measurement can play a very useful role in this area. Understanding the impact of the organizational changes we are trying to achieve depends on our ability to measure such changes and sets the stage for future change initiatives.

APPLICATION OF THE CHANGE PATH MODEL

Let's return to the hotel guest's letter presented earlier in this chapter and use it as an opportunity to apply the Change Path Model to an organization that needs to change.

Awakening: Why Change?

The general manager might have very good reasons for interpreting the letter as a signal not to change. The hotel might be in the midst of a computer systems modification and be overwhelmed with this change. Or the general manager may have a tracking system that indicates that most hotel guests are very satisfied and that this is an unusual occurrence. Or the general manager may be under pressure to reduce costs and view change as leading to increased costs. Or the general manager might see himself as exiting the organization and does not want to put the time and energy into changing systems.

On the other hand, the general manager may have the opposite reaction. The letter could trigger the manager to note inefficient processes that cause higher costs (i.e., is it more costly to clean a room twice or to return to a room to deliver missing towels?). If this letter were sent to Trip Advisor, Yelp, or other travel-related websites, then the hotel could experience the loss of customers and a damaged reputation, particularly if there were other unhappy customers who expressed dissatisfaction with the hotel.

Even if the general manager accepts the need for change, the employees might not. At this point in time, they know nothing about the letter. They may feel that their performance is good, and no change is needed. They might have a departmental manager who doesn't follow up on directives and, thus, they could believe that no action is necessary. Or they might be new to their jobs and be poorly trained in customer service.

The challenge for the change leader is to articulate "why change" and their initial vision for the change to key stakeholders in ways that they will understand and that will move them to positive actions. The problem should be explained through a systems' perspective by clearly outlining the link between poor customer service, financial performance of the hotel, and individual rewards, to name a few of the interconnected consequences of not addressing the need for change.

Mobilizing: Activating the Gap Analysis

The present state of the hotel operations has several dimensions that could be addressed. The following gaps may exist:

- A gap in information between room readiness and the information that the desk clerk has.
- A gap between what the hotel's managers say they will do and what they do.
- A gap between the appropriate bill and the bills given to customers.
- A gap between the desired interpersonal relationships between employees and customers.

Each of these gaps could require different action plans for change. Careful analysis will demonstrate that there are underlying issues that need to be dealt with. For example, if the organization's culture has evolved to one that is not focused on customer care and relationships, the individual gaps might be difficult to correct without a systematic approach. This gap analysis, then, needs to be used by change leaders to further develop and frame the vision for change. This vision plays a critical role in helping others understand the gap in concrete terms by contrasting the present state with the desired future state.

Taking an organization through the process of change requires going through predictable stages of change. Some organizational change experts, such as Kotter (1996)[16] and Duck (2001),[17] argue that a leader must successfully take the organization through each stage before moving to the next stage. While our experiences suggest that context matters and we challenge a rigid prescription of stages of change, we do believe that there is a predictable beginning, middle, and end process of change, and these set the stage for future pressures for change. Organizations are never in a state of equilibrium.

Accelerating: Getting from Here to There

In this phase, specific actions are undertaken to advance the implementation of the desired changes. Several planning tools can be used (see Chapter 9). If the general manager in the hotel decided that the issue to be tackled is computer systems, then the implementation plan and actions might include the following steps:

- Discuss the need for change, the gap between the present reality and the desired future state, and the leader's vision for change. The change leader needs to have conversations with staff to develop a consensus concerning the type of actions that are needed.
- Form a users' task force to develop the desired outcomes and usability framework for a new computer system.
- Contact internal information systems specialists for advice and assistance on improving the hotel's information system.
- Identify the costs of systems' changes and decide which budget to draw on and/or how to fund the needed systems' changes.
- Work with the purchasing department to submit a "request for proposal," promoting systems' suppliers to bid on the proposed system.
- Contact human resources to begin staffing and training plans.
- Implement the plans.
- Create metrics for tracking the change as well as reporting mechanisms.

This list of sample tasks lays out the actions needed to accomplish the change. In Chapter 9, we identify tools that help in planning. For example, there are tools to assign responsibilities for different aspects of projects and others for contingency plans. Other tools illustrate how to manage people during the transition. Organizations usually don't stop what they are doing because they are changing! In the hotel, for example, rooms will need to be made up, allocated, and assigned while the information system is being modified. In particular, receptionists will need to ensure a seamless transition from the old to the new system. In many system changes, parallel systems are run until the bugs in the new system are found and corrected. Hotel receptionists need to be trained on the new system. How and when that will be done in this implementation phase is part of the managerial challenge during the transition state.

Institutionalizing: Reinforcing the Changes

The final aspect of the model deals with two themes: (1) the role of measurement approaches and related metrics to guide the change process and assess progress and (2) the institutionalizing of structures, systems, processes, and knowledge, skills, and abilities that are designed to support the change. How will the general manager know that the implemented changes are working? Managers can measure input easily, such as the number of hotel receptionists who are trained on the new system. But management will also need to track the number of times rooms are misallocated. This is a more difficult problem because the staff could be motivated to prevent accurate reporting from such a system if the results could put the staff in a negative light. Chapter 10 talks about measurement and control methods that can assist change agents in navigating the path forward.

Models improve change leaders' abilities to plan and implement organizational change and to predict outcomes. The Change Path Model provides a practical framework that lays out a linear process for change. This model, like others, risks having change managers oversimplify their challenges. Cause–effect analysis is complex because organizations are nonlinear, complex entities, and the constantly shifting external environment impacts an organization's customers and resources. An overreliance on superficial thinking can lead to errors in judgment and unpleasant surprises. Organizations are more surprising and messier than people often assume.

Coordination and control of change may appear straightforward. However, the reality is that organizations often undertake multiple change projects simultaneously. For example, a factory may be shifted toward a continuous improvement process while other parts of the organization are being restructured. Different managers are working on separate change projects to make things better. Under such complexity, control is difficult and likely involves multiple layers of authority and systems. Difficult, yes, but coordination and integration of efforts toward shared goals can be accomplished when approached carefully, thoughtfully, and empathetically.

See **Practitioners' Exercise** 2.2 to examine a change initiative through the Change Path process and differentiate between the how and what of change.

Table 2.1 provides a summary of the four models presented in this chapter with a critical analysis of their strengths and weaknesses.

TABLE 2.1 ■ Comparative Summary of the How to Change Models

	Lewin's Stage Theory of Change	Kotter's 8-Stage Process of Change	Duck's Emotional Transition Through Change	D, I, & A's Change Path Model
Main Idea	A successful change initiative goes through three main stages: unfreezing the status quo, implementing the change, and refreezing the new organizational reality.	The implementation of an organizational change is an 8-step process that starts with establishing a sense of urgency (similar to unfreezing) and ends with anchoring new approaches (similar to refreezing).	The organizational change process is manifested through stages of emotions, actions, and reactions of the organizational members involved.	The organizational change process goes through four main stages, each of which is characterized by a set of critical milestones.
Strengths	It provides a general overview of the main stages of change that allow a leader to creatively apply the model to their specific case. It reminds leaders that unless the status quo in the organization is challenged, change would be difficult to initiate. It emphasizes the importance of refreezing or making sure that the change sticks.	It provides a strategic map for leading a change with a list of eight consequential milestones. It helps a leader plan the process. It prescribes the goals that should be achieved at each step of the process. It sets clear expectations for the role of the change leader. The model has both descriptive and prescriptive value.	It emphasizes the importance of people in implementing a change. It recognizes that people need different support on each stage of the change process. It combines change strategy with people strategy. It describes both change process milestones and leading people through the change milestones.	It provides a general overview of the change process and a narrowed focus on key milestones. It prescribes goals to be achieved at each stage of the process. It sets clear expectations for the role of the change leader as well as for the other key stakeholders. It provides a whole-system approach to thinking of change. It has prescriptive and descriptive value. It acknowledges that the change process is not perfectly linear.
Weaknesses	There is no step-by-step guidance on how to lead change through each of the stages. The model does not address the role of the change leader or the role of other key stakeholders. The model has descriptive but not prescriptive value.	The model is linear and does not account for organizational complexity. It prescribes that once a milestone is accomplished, the efforts move forward; change leaders might need to go back to a previous stage to fix an error or to achieve better alignment with the change strategy.	The leadership guidelines are too broad and lack specificity. The model expects a leader to handle both the technical implementation of a change and the people leadership through change. It predicts that all people will have the same challenge at each stage of the process, which is not always the case.	It provides consequential steps within each stage, thus ignoring the possibility for concomitant actions.

SUMMARY

This chapter differentiates what to change from how to change and uses several models to explicitly consider how to change. Successful change management requires attention to both process and content. The Change Path Model serves as the organizing framework for the upcoming chapters. See **Practitioners' Exercise** 2.1 for critical thinking questions about the contents of this chapter.

KEY TERMS

Duck's Five Phases of People's Reaction Model

Change Curve: a simplification of the complex, often volatile human emotions that accompany change, particularly organizational change.

Stagnation: occurs when people have an insufficient sense of threat from the external world.

Preparation: requires a tremendous amount of planning and aligning of leaders and operational work.

Implementation: includes designing new organizational structures, job descriptions, and lots of other detailed plans, as well as changing people's mindsets and work practices.

Determination: demands and requires many people's motivation to continue the long path to transformation.

Fruition: is the time when the hard work pays off and the organization seems new.

Gentile's Giving Voice to Values

Clarification and articulation of one's values: articulate one's own values and the impact of acting on those values and make implicit principles explicit.

Post–decision-making analysis and implementation plan: understand how to voice one's opinions in difficult situations.

Practice speaking one's values and receiving feedback: in a classroom setting with colleagues, script difficult situations in order to practice voicing one's values

How to change: relates to the process one uses to bring about change.

Kotter's Eight-Stage Change Process

Establish a sense of urgency: upend complacency in order to communicate the need for change.

Create a guiding coalition: organize a team of a significant number of people (10 to 50) who have titles, lead divisions and departments, and have the respect of their colleagues and relevant knowledge to lead the change.

Develop a vision and strategy: articulate an overarching dream of an inspiring future and how to get there.

Communicate the change vision: capture the hearts and minds of most employees by communicating through multiple channels and multiple times the vision for change.

Empower employees: help employees embrace the vision and support necessary to make structural changes.

Generate short-term wins: highlight short-term gains to keep employees motivated.

Consolidate gains and produce more change: continue pressing forward until the change seeps into the deepest recesses of an organization.

Anchor new approaches: embed the changes in the organization's cultural norms and values.

Lewin's Model of Change: Unfreeze → Change → Refreeze

Unfreezing: the process that awakens a system to the need for change—in other words, the realization that the existing equilibrium or the status quo is no longer tenable.

Change: the period in the process in which participants in the system recognize and enact new approaches and responses that they believe will be more effective in the future.

Refreeze (or re-gel): the change is assimilated, and the system reenters a period of relative equilibrium.

Sigmoid curve: describes the normal life cycle of objects and processes, which include an initial point, a growth phase, a maturity stage, and a deceleration or acceleration period.

What to change**:** relates to the assessment of what it is that needs to change—in other words, the content of the change.

The Change Path Model

Awakening: the stage of the process in which the need for change is determined and the vision for the change is created and shared to the key stakeholders through multiple communication channels.

Mobilizing: the identification of the distance between the desired future state and the present state at which the system operates.

Accelerating: the stage of the process in which plans are developed for bridging the gap between the current mode of operation and the desired future state and the means by which the transition will be managed. A key part of this stage includes action planning and implementation.

Institutionalizing: the process of making the change inherent in organizational culture through constant monitoring, tracking, and reporting of key change metrics processes.

PRACTITIONERS' EXERCISES

Exercise 2.1

Critical Thinking Questions

1. Kotter's Eight-Step Organizational Change Model: Sydney Boone, Ayushmaan Baweja, and Steven Thomsen—12:57 minutes

   https://www.youtube.com/watch?v=LxtF4OXzhyI

This video delves more deeply into Kotter's process model of change.

- What are the key lessons you learned from the video?
- How do they help you think about the process of leading change?
- Compare this approach with the Change Path Model. What are their similarities and differences, and how would you work with both models if you were leading change?

Exercise 2.2

Analyzing a Change Process through the Change Path Model

Part I

Interview a manager at any level who has been involved in change within their organization. Ask the person to describe the change, what they tried to accomplish, and what happened. Use the following questions as guides for the interview.

- How was the desired change identified? What were the reasons for the change?
- Describe the gap between the organization's current performance and the desired future state.
- What was the vision for the change? How was that vision communicated throughout the organization?
- How were the formal structures, systems, and processes involved in the change?
- How were the recipients of the change and other key stakeholders engaged in order to get them on board with the change?
- What tools and training were used as the change was implemented, and how did the leadership make the change stick?
- What challenges surfaced that weren't accounted for in the original change plan?
- What were the results of the change process? Did the results reflect the original vision? How was measurement used to facilitate change at different stages of the process?

Part II

After the interview, describe the process of the change by answering the following questions that are related to *how* they managed the process:

- How did the manager work to make things happen?
- Who was involved?
- How did they persuade others?
- What resources did they use?
- Also describe *what* was being changed. Why were these things important? How did these changes help the organization?
- As you reflect on the interview, which do you feel was more important to the impact of the change: how things were changed, that is, process, or what was changed?

Giving Voice to Values: Assumptions & a Cybersecurity Case

Please note that the GVV curriculum makes several assumptions:

1. We will all face conflicts in values among our peers, customers, and stakeholders in both the public and private sectors.
2. The best way to deal with these conflicts in values is to be clear about one's own values and to know that one has the confidence and skills necessary to effectively voice and enact those values.
3. Research suggests that thinking through the issues prior to encountering a difficult situation and practicing what one will say are critical steps in preparing to give voice to one's values in difficult situations.

HELD HOSTAGE IN THE 21ST CENTURY: CYBERSECURITY, RANSOMWARE, AND CRISIS MANAGEMENT (A) †

"It appears we are under attack."[18]

Those were the words that Anni Anderson, CEO of Selah, a US technology company, heard immediately after answering an early-morning phone call from her chief technology officer. "Anni, it's a hacker." All the computers at Selah's offices in both New York and San Francisco were inoperable. The monitors displayed a ransomware note requesting payment in Bitcoin, a cryptocurrency, with the exact amount unspecified. "The final price depends on how fast you contact us," the message read.

Background: The Cybersecurity Landscape

In 2022, ransomware and associated cybersecurity threats were regarded by the US government as among the most serious risks facing institutions, companies, and citizens. According to the Identity Theft Resource Center, ransomware-related data breaches in the United States had doubled every year since 2020.[19] It was estimated that, every year, one in four *Fortune* 1000 firms would suffer a costly cybersecurity event.[20] The security firm Cybereason estimated that every 11 seconds, somewhere in the world, a business experienced a ransomware attack.[21] From public transportation to public utilities, hospitals to schools, meat packing to Microsoft, cyberattacks targeted or disrupted virtually every industry and sector of society.

Large corporations such as Bank of America spent over $1 billion per year on cybersecurity, but officials and researchers emphasized that organizations of all sizes faced cybersecurity risk.[22] "All organizations must recognize that no company is safe from being targeted by ransomware, regardless of size or location," wrote Anne Neuberger, US deputy national security adviser for cyber and emerging technology, in a 2021 open letter to the private sector.[23] John Chambers, former CEO and executive chair of Cisco, put it slightly differently, arguing that every company must become proficient in cybersecurity: "There are two types of companies: those who have been hacked, and those who don't yet know they have been hacked."[24]

Organizations were exposed to many different types of cyberattacks (e.g., malware, phishing, zero-day exploits) and transgressors (e.g., state-sponsored, criminal groups, individual actors, insiders).[25] If a company was locked out of its own systems or lost control over its data due to a ransomware attack, the ransom was typically understood to be payment in exchange for restored access and custody; however, restitution was no guarantee. In a study conducted by Cybereason, only 51% of businesses that paid a ransom recovered their data in full without loss or impairment.[26] Moreover, paying a ransom did not confer immunity: research indicated that 80% of organizations that paid a ransom were subsequently attacked, often by the same offenders.[27] It therefore appeared that there was no easy way out of a cybersecurity crisis: if a company didn't pay the ransom, the company jeopardized numerous dimensions of its business, from operations to brand and customer management; if the company did pay the ransom, it could still be vulnerable and might have to rebuild internal systems.

In the United States, cybersecurity regulations varied in scope. Nearly half of US states had laws governing data security and the disposal of data.[28] Action at the federal level was primarily pursued through executive orders and agencies. However, in March 2022, the US government passed a law requiring that entities involved in the country's critical infrastructure report cyber incidents and ransom payments to federal officials. In the event of a cyberattack, US companies were discouraged—but not prohibited—from paying ransoms, although transactions with certain parties could be prohibited due to federal sanctions.[29] As a result of the legal patchwork in the United

States that left room for individual prerogative, critical decision-making during a cybersecurity crisis often fell on the shoulders of the victims.

Background: Selah

Anderson had founded Selah in 2016 after becoming fed up with the culture of feedback at her former employer. "Feedback from managers was either shallow and upbeat or incisive and hurtful. But mostly it skewed toward negative feedback, which metastasized into a culture of fear and burnout," she recalled. After starting Selah as a side project, Anderson dedicated herself full-time to building it in 2017.

By 2022, Selah was a business-to-business (B2B) and business-to-consumer (B2C) technology venture that positioned itself as a provider of "management as a service" (MaaS), an offshoot of the popularized "software as a service" (SaaS) model. Selah's flagship product focused on feedback communication. Businesses as well as individuals turned to Selah to receive training on how to deliver and receive feedback, whether through a report, manager, colleague, friend, partner, or family member. Named after an ancient biblical term often interpreted as meaning "pause and reflect," Selah branded itself as an emotionally intelligent, business-savvy technology company aiming to make the most important conversations the most effective. Selah had three compass values: care, courage, and collaboration.

After multiple years of start-up struggles and investor skepticism, Selah experienced substantial growth in 2020 amid a global pandemic and concurrent social movements. It became one of the most downloaded mobile applications in its category as people around the world faced difficult conversations, and organizations looked for ways to support employees. Customer acquisition spiked following an Oprah endorsement and subsequent appearances by Anderson on multiple media outlets. While the public recognition and customer growth were exciting, Anderson knew that Selah hadn't yet reached its potential. She wanted to leverage its newfound market position to raise its largest-ever round of financing in the private markets—financing that would allow Selah to expand its offer and extend its growth, particularly in the categories of coaching (e.g., negotiation coaching), international (e.g., cross-cultural communication), and youth (e.g., a product focused on helping children and adolescents communicate their feelings). As far as Anderson was concerned, the pandemic presented Selah with a unique opportunity to scale its impact. Anderson was determined to lead her company forward.

Held Hostage: The Stakes for Selah

Right before the attack, Anderson and her team had finally reached the final stage of closing on a new, major round of funding from leading venture capitalists. Potential consequences of Selah's cybersecurity crisis included not only seeing investors retreat but also pulling the plug on the growth that Selah had experienced. Though it was not yet confirmed, Anderson and her team knew that the cybercriminals might have access to sensitive information: written and audiovisual records of people's perceptions of one another, as well as users' demographic information, including their age, gender, race, salary expectations, and employment history. After all, Selah offered users the ability to input their candid, unfiltered thoughts or impressions; its artificial intelligence would then help users frame and articulate their messages for more effective communication. These user "diaries" often contained private, provocative details. Would the cybercriminals publish such information if Selah didn't cooperate—so-called double extortion? If so, would Selah be able to regain the trust of its users and customers, or would its brand suffer catastrophic damage? To add to the list of concerns, Selah's mobile application was not operating correctly because of the ransomware. It would only be a matter of time until complaints and inquiries about the outage materialized.

Anderson's Conviction

By midday on the first day of the crisis, Anderson had decided against paying any sort of ransom. To be sure, she considered the payment option, even as she found the hacking activity to be loathsome. In an emergency meeting that morning with her executive team—including the chief financial officer (CFO), the chief operations officer (COO), the chief technology officer (CTO), and the chief marketing officer (CMO), who was also responsible for business development—she debated what should be done. At the conclusion of the meeting, Anderson surveyed her team:

CEO: Before we wrap up, I'd like your final answer. Let's go around one by one. Tell me what your vote is for paying the ransom versus not paying it, and, importantly, your most persuasive argument as to why. Tara, you first.
CTO: Don't pay. Either way, we will have our hands full fixing this. But paying the ransom will only make our jobs harder, because it announces to the world of cybercriminals that we're open for business. It might even undermine some of the partnerships that we'll need to fully resolve this crisis.
CEO: Thank you, Tara. Abel.
CMO: I think we should pay. The downtime doesn't worry me as much as the impossibility of retaining our customers' trust in this competitive environment. Even if we have to go public about the payment, we can frame it so that users know how seriously we value them. People are more forgiving of a company—any company—using its money to pay a ransom than they are of a company jeopardizing their own privacy and security. Just think of the lawsuits we could face if this data breach results in damages or harm for our users.
CEO: Thank you, Abel. Sunan.
COO: I'm with Tara on this one. Don't pay. To fully address this issue, we'll need to train staff and nudge certain behaviors. I'm afraid it'll be harder to drive compliance and cooperation if a culture develops here around simply paying to make problems go away.
CEO: All right, thank you, Sunan. Last but not least, Devin.
CFO: Pay. I think we should first negotiate but eventually pay. My back-of-the-envelope estimate is that it'll likely be less costly to pay the ransom. And, importantly, we have to think about where we are in this moment. I think we can get investors to stomach payment and a quick resolution. I don't know how we close this round if our systems aren't operational for an extended period of time. As you know, the consequences of not being able to raise money would be very significant for this company.
CEO: All right, evenly split but for different reasons. Thank you, everyone. I need to do some thinking alone and then speak with the board. Give me an hour.

Anderson left the emergency meeting and went for a walk. She kept recycling through the many considerations raised by her executive team. There were multiple stakeholders to bear in mind, and plenty of risks and uncertainties. As founder and CEO of Selah, Anderson took seriously the value of stewardship—safeguarding, promoting, and acting on behalf of the organization's interests. Also as part of that stewardship, she wanted to demonstrate and reinforce the company's three compass values: care, courage, and collaboration. Meanwhile, on a personal level, Anderson's single biggest pressure point was the value of integrity. What would be an integral decision in this situation?

Anderson sat down on a bench, closed her eyes, and heeded the very invitation of Selah: pause and reflect. Taking deep breaths, Anderson alternated between quietly whispering the words "pay" and "don't pay." She then carefully monitored her body for even the subtlest of sensations. Eventually, it became clear to Anderson: Selah would not pay a ransom.

Just as Anderson stood up to head back to the office, it occurred to her that everyone in the executive meeting was making a tactical or strategic argument. No one was foregrounding values, mission, or purpose. That would be her job.

Crisis Communications and Crisis Management

Imagine you are Anderson. Selah will not pay the ransom but will have to resolve its crisis. You must now engage various stakeholders—the board of directors, employees, potential investors, customers and users, cybercriminals, regulators, and the press. What is your approach toward communicating with your stakeholders, and what values will you emphasize? What will you say? What will you do? How will you lead in this crisis?

Case Study Questions

1. Anni Anderson, founder and CEO of Selah, faces a high-risk cybersecurity situation. What values are involved in this situation? With these values in mind, what path would you have Anderson take and why?
2. How should she communicate with the broad array of the organization's stakeholders about the incident? With whom should she communicate first and why?
3. What changes—at the executive or organizational level—should Anderson introduce to Selah after the crisis has passed?

[†]This fictional case was prepared by Ross Feehan, MIT Sloan School of Management and Harvard Divinity School, under the guidance of Mary C. Gentile, Creator and Director of GVV and Richard M. Waitzer Bicentennial Professor of Ethics, University of Virginia Darden School of Business. It was written as a basis for class discussion rather than to illustrate effective or ineffective handling of an administrative situation.