CHANGE THINKING

Conversations With
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CAPACITY & DEMAND SERIES

1. Future Shock: The Scourge of Organizational Change

"Future shock [is] the shattering stress and disorientation that we induce in individuals by subjecting them to too much change in too short a time." —Alvin Toffler

Toffler nailed it. Forty years ago, in his groundbreaking book of the same name, he coined the term '"future shock" to describe the various problems that arise when people deal with more change than they can metabolize. Like fingerprints or cornea signatures, each person has a threshold for dealing with change. Once past that boundary, any more change triggers the "shattering stress and disorientation" of future shock.

Toffler's prediction of what could happen is an all-too-familiar reality for us today. A quick glance at any TV, Internet, or newspaper summary of current events provides ample evidence that we live in a world inundated with dramatic fluctuations and redefinitions of what we, until recently, thought was stable. The increases in the volume, momentum, and complexity of transitions we contend with surpasses anything we could have imagined only a few years ago. There is no longer any safe haven from ongoing turbulence and uncertainly. Everywhere we look, people are either in future shock or recovering from some degree of it.

Organizations Feel It Too

To keep up with customers and competition, organizations must react to external pressures for change, as well as accommodate their own desire to change. To a growing extent, the combination is overwhelming. In fact, it is precisely because the downside of change has become so prevalent and costly in recent years that our profession has grown as much as it has.

The concept of future shock applied at the organizational level means so much change is being engaged that people can't maintain the expected productivity and quality standards. When this happens, it elevates future shock from an individual's predicament to an enterprise problem—a problem that shareholders notice. Investors may, on occasion, be somewhat understanding about organizations contending with highly visible changes (e.g., the 2009 economic crash, the recent BP oil spill) but even such brief moments of empathy dissipate quickly when productivity, quality, and safety metrics drop.Future shock isn't some theoretical, touchy-feely jargon manufactured by HR. Its impact on theworkforce and an organization's market value is very tangible. Leaders must be vigilant about attending to it in order to avoid unnecessary *resistance*, weak *results, encroachment,*

and damaged leadership *credibility.*

- **Resistance:** Numerous factors contribute to resistance to change. One that is often overlooked or mishandled is the inability of the people being affected to adequately assimilate what is being implemented. Managers executing numerous overlapping initiatives often say, "My people just can't take any more." Many times those pushing the hardest against change aren't doing so because they lack belief in it—they just don't feel they can comply with the latest addition on top of all the other initiatives they have been asked to accommodate. When the demands for change exceed a person's or group's capacity to absorb, resistance is inevitable.

- **Results:** Of even more concern is the impact future shock has on the outcome of the endeavor in play. When people lack the ability to assimilate what a new initiative is asking of them, they don't just resist, they tend to *install* rather than *realize* the project's intent. In other words, instead of fully accomplishing the true purpose for the change, they only have the absorption capacity for short-term/superficial application. The appearance of change is in place, but the fundamental reason for doing it is likely to be an unattainable mirage.

- **Encroachment:** Future shock not only debilitates at its own point of origin, its dysfunctional nature invades surrounding change efforts. Even though a particular project may have pushed people past their absorption limits, all the other changes they are trying to accommodate are affected as well. The implications for overloading an organization with change go far beyond the obvious negative impact on a single effort.

- **Credibility:** When important changes are announced that don't materialize later as intended, problems are left unsolved and opportunities unexploited. As a result, the leaders who sponsored these initiatives inadvertently teach people not to listen to them. They reinforce the cynics who don't believe the change is possible or that the particular leaders are up to the task. Either way, leadership credibility suffers.

Whenever the demands of change outstrip the capacity to accommodate, the people involved and the projects themselves suffer. It is up to us as change professionals to know what to do to help sponsors anticipate and, to the degree possible, minimize (if not avoid) the dysfunctional implications of future shock.

When Is Future Shock Most Likely to Happen?

Many factors contribute to the likelihood an organization will end up in an overload situation. Here are seven common ones:

- Leaders understand how to balance investment opportunities with available capital, but fail to see a relationship between the desire to change and the capacity to execute.

- Leaders badly underestimate what is necessary to accomplish their desired results and the level of disruption people will experience when the change is implemented.

- Leaders begin initiatives with high aspirations, but later settle for lower results without suffering significant consequences; as a result, they adjust their thinking and stop holding themselves accountable for failing to deliver on promises they made.

- Leaders believe so strongly in the soundness of their change decision that it never occurs to them any due diligence is necessary to assess the organizations' readiness to absorb the implications.

- Leaders operate as if there is an unlimited supply of energy and goodwill available among their workforces to accommodate any change they decide is necessary for the organization.

- Leaders lack the courage and/or discipline to say "no" to initiatives they desperately want to execute (or are under political or competitive pressure to pursue) in order to protect the

organization's ability to absorb even more important changes.

- Leaders are served by change practitioners who are either:
  - insensitive to, or incapable of, properly addressing future shock implications, or
  - so focused on a single initiative that they are blind to the cumulative impact of other changes affecting the same constituencies.

Future shock is a costly and ubiquitous reality in today's organizations. Its prevention, diagnosis, and treatment fall squarely on the shoulders of the change practitioner. Of course, change agents must work in partnership with sponsors to address the negative implications, but it is up to the agent to provide the proper navigation through the issues. Unfortunately, many practitioners are not as prepared as needed for this part of their role.

2. How Do People Learn to Adapt to Change?

Major change is triggered when people face a significant discrepancy between what they expected and what actually happens during change. People adjust to change, not by learning to like what is taking place, but by forming new expectations that can lead to success under the new conditions. At a personal level, three types of energy are required to make these adjustments in expectations:

- Mental (to figure out what is happening and how to respond)

- Emotional (to deal with various feelings like loss, anxiety, threat, relief, joy, optimism, etc.)

- Physical (to accommodate the bodily implications of stress, excitement, etc.)

To realize the intended benefits of a major change, the people affected must possess sufficient energy for the adaptation process to unfold. The capacity to adapt involves the mental, emotional, and physical means to incorporate new mindsets and behaviors—to absorb the key implications of a change. Aggregate change demand that exceeds available adaptation capacity leads to overload, which causes dysfunctional mindsets and behaviors—in other words, future shock.

Capacity ≠ Resources

The capacity people have for change and the organizational resources needed to implement change are often confused. Both are assets needed to properly address transitions, but they are not the same.

- *Capacity* relates to how much disruption people can absorb before displaying dysfunctional behaviors and mindsets. There must be enough available capacity for people to adapt to the new requirements.

- *Resources* relates to the *means* for change. There must be enough available resources (people, money, technology, etc.) to conform to the new requirements.

Whether the constraint is capacity related or resource related, the success of an initiative is at risk any time either one is exceeded by the demands of the change.
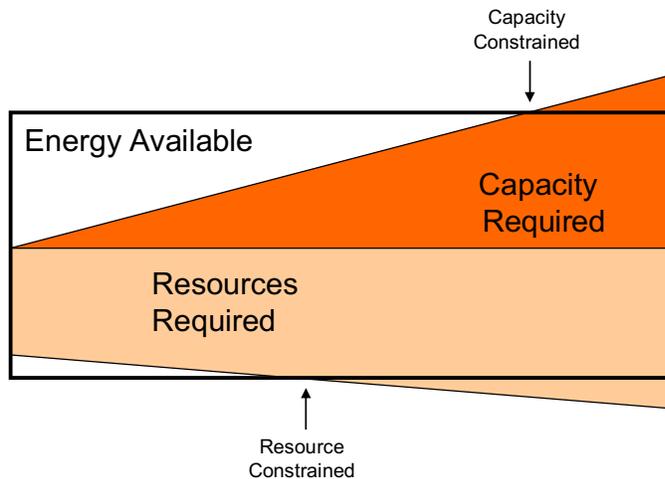
Adaptation *capacity* is an individual phenomenon (although it can also be aggregated to reveal a group's or an entire organization's readiness for change). Organizational *resources* are the enablers of change that reside outside a person or group (e.g., capital, technology, available time, headcount). Both are vital for reaching intended outcomes; however, there are important differences. For example, resources lay the groundwork so *installation* of change is possible, but it is capacity that allows an organization and its people to fully *realize* their aspirations.

Capacity and resources are distinct aspects to meeting the demands of change, yet they are also linked in that each has an impact on the other. For example, if a person doesn't have enough hours in the day to complete his or her change-related work or enough budget to purchase certain fundamentals needed for success (both are resources), it can be a drain on the personal energy an individual would otherwise have available to mentally, emotionally, or physically adapt to the new circumstances (capacity). In another situation, it might take mental/intellectual energy (thinking about how to juggle tasks, assessing options, etc.), emotional energy (worry, fear, etc.), and/or physical energy (extra hours, less sleep, etc.) to deal with the fact that there aren't enough people to accomplish all the change-related activities assigned. If a person's energy is consumed by the "resource" shortage, it lessens his or her "capacity" energy available to adjust to the shift in expectations.

Organizations are constantly adjusting to change, which means any new initiative follows others before it. Therefore, any time a different course is pursued, a critical question arises: Are there enough organizational resources, and is there sufficient adaption capacity remaining to assimilate the change and fully realize its intent? Failing to ask this question, asking only about resources, or not being objective and honest about the answer all contribute to the many failed transformations that occur each year. It is, therefore, critical that this question be surfaced and addressed early.

Both resources and capacity are key to change success, but this series focuses on the influence capacity has on inhibiting or fostering initiative realization.

3. How to Manage Capacity (Free Download)

There are two aspects to capacity management—its relationship to stability and uncertainty, and the measurement of its variables.

The Zone

Managing capacity involves:

- monitoring the supply of, and demand on, adaptation capacity, and, when necessary,
- making adjustments in order to operate in "The Zone" (a space for pursuing as much change as possible while minimizing the negative effects of future shock).

As I stated in the first post of this series, future shock occurs when the demands of change exceed a person's or group's capacity to properly deal with its implications. (This is reflected in their inability to maintain productivity, quality, and safety standards). At first glance, you might assume that future shock is something to avoid at all cost. However, that's not what I've seen from leaders who consistently achieve their change objectives. In fact, some of the most predominant lenses and patterns associated with success are the ones that help keep an organization on the cusp between order and chaos.
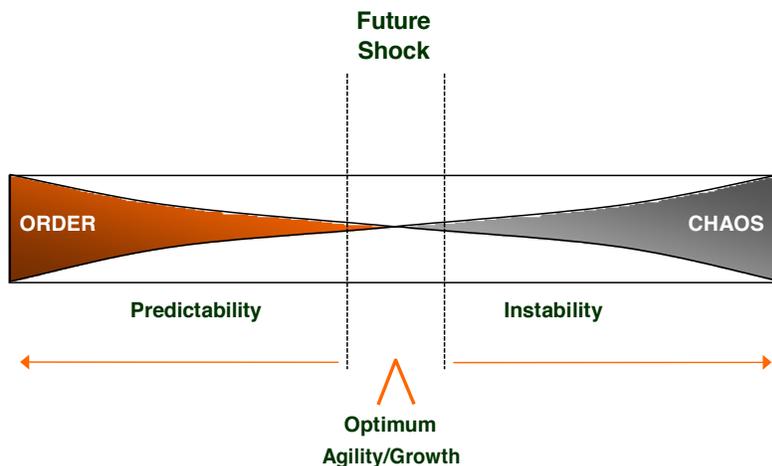
Although this juncture between predictability and pandemonium is clearly a risky place to attempt critical transitions, it's also where we find maximum flexibility. I labeled this point, where order and chaos most closely resemble one another, as *The Zone*. This is where people and organizations have both the greatest likelihood of becoming overwhelmed with instability, and the greatest possibility of adapting to uncertainty. The purpose of capacity management is to monitor the balance between too much and too little change and operate an organization at the boundary point between the two.

Measuring Demand and Capacity

Strategic assets are vital to an enterprise's future, highly sought after, protected once secured, and not easily replaced. The ability of people to operate under turbulent conditions without becoming overly dysfunctional (i.e., unable to maintain productivity, quality, and safety standards) unquestionably creates a competitive advantage. As such, it should be treated as a strategic asset. To do this, capacity must be explicitly managed. However, it is impossible to manage a process unless it is measurable. Therefore, what follows are the key aspects of measuring change-related demand and capacity.

Demand

The demands a change imposes (the amount of energy it will consume) are determined by many factors, but they can be grouped into five categories:

- **Timing:** Is the change coming at people quickly? Is there time pressure to effect the change? Was the initiative a surprise, leaving little time to plan?

- **Scale:** Are a significant number of people affected by the change? Does it require shifts beyond the primary location where it is being implemented? Does the initiative have a major impact on the business performance?

- **Resources:** How many people are needed to execute this change? Does the funding represent a sizeable investment? Will new or upgraded technology be required?

- **Complexity:** Does the initiative require balancing multiple variables at the same time? Is it dependent on others' initiatives falling into place? Is it difficult to explain? Does it involve challenging activities with which people have had little or no prior experience?

- **Culture:** Does the initiative require significant shifts in established routines or how people generally operate on a daily basis? Does it require any fundamental changes in how people think about their work, their customers, or their roles?

For each of the first four factors, we can assign a rating that indicates a high, medium, or low energy drain during implementation. Those ratings can then be added together to determine their cumulative impact. The fifth factor (culture), however, has a different relationship to the others and is actually a multiplier of the first four. This is because a change in set patterns of behaviors and mindsets drains more energy during implementation than any of the other variables. Even more important, when energy is spent dealing with cultural change, it causes each of the other factors to be more taxing than would otherwise be the case. Therefore, when calculating how much demand is currently impacting or will impact people who are trying to accommodate a major change endeavor, culture should be viewed as having a multiplying, not an additive, affect.

Therefore, the formula used to determine the load carried by people trying to accommodate change looks like this:

CHANGE DEMAND = (Timing + Scale + Resources + Complexity) x Culture

Capacity

Calculating demand is fairly straightforward compared to measuring capacity. Rather than taking a head-on, linear approach, capacity has to be measured indirectly because the metric being sought is the "remaining" energy available for addressing change—how much is left after other changes have taken their toll.

To measure available capacity, focus on five factors:

- **Performance:** Are productivity and effectiveness levels dropping? Is preventable overtime increasing? Is less being done (or costing more or taking more time)?

- **Quality:** Are quality-related concerns increasing? Is more time being spent on fixing mistakes? Are customers complaining about service?

- **Safety:** Are incidences of physical injuries increasing? Do people report feeling more at risk of danger?

- **People:** Are the people in the organization, and their relationships with each other, healthy (effective, honest, supportive, etc.)? Are there accelerated absences or stress-related symptoms? Are there signs of communication or decision-making problems?

- **Progress:** Are projects behind schedule? Running over budget? Consuming more resources (or returning worse results) than planned?

The five factors combine to determine the load carried by people trying to accommodate change. Calculating demand and available capacity are key steps toward understanding and managing capacity.

4. Putting It All Together—The Mechanics of Capacity Management

Previous postings in this series have highlighted certain aspects of capacity management:

- Attending to the effects of future shock: resistance, results, encroachment, credibility

- The mental, emotional, and physical energy required to make adjustments in expectations

- The difference between capacity and resources

- Operating in The Zone

- Calculating change demand and measuring remaining capacity

In this final posting, we'll look at the mechanics of the actual capacity management process and explore how it can be used to balance the demands of change with their remaining capacity.

Numerous perspectives and activities can be used as interventions for better management of an organization's remaining capacity. Below is a brief overview of just a few that cluster under the five primary capacity management factors (performance, quality, safety, people, and progress):

- Determine the amount of assimilation *demand* that will be generated from the various changes under way and being considered.

- Assess the remaining *capacity* people have to absorb all these changes.

- Determine the desired *balance* between demand and capacity (stretching the organization's limits while keeping change-related dysfunction within acceptable boundaries).

- Compare the desired balance with existing circumstances. If this comparison reveals that demand currently exceeds or will exceed capacity beyond acceptable limits, some *prioritization* and *tough decisions* are in order. (If demand is below capacity, engaging additional changes can be considered.)

Prioritization

All major initiatives should be categorized into one of three classifications:

- **Business Imperatives**—For these projects, the price of the status quo is prohibitively high and the initiative in question is the best available solution for achieving the desired results.

- **Good Ideas**—These projects provide compelling reasons for moving forward, but either the status quo is acceptable (though not preferable) and/or there are other options to pursue to reach the desired result and/or there is insufficient remaining change capacity to realize the results.

- **Unacceptable Ideas**—These projects cost more in terms of time, money, and effort than the

value they create.

When change demand exceeds the capacity to absorb, focus first on the low-hanging fruit. Help your client ensure all the unacceptable ideas (as determined by senior leadership) have been eliminated from the playing field. This may not be as easy as it sounds because of political pressure to keep certain pet projects alive beyond their viable life span. Next comes the really hard part—separating good ideas from business imperatives. Despite thetendency of many organizations to pursue any change that creates some degree of value, during periods of overload, the priority to support change must be placed on business imperatives. As a basic guideline, allocating assimilation capacity to good ideas shouldn't even be considered until all the business imperatives have been properly addressed.

Tough Decisions

Once prioritization is complete, it is not unusual to find the list of business imperatives still exceeds remaining capacity. If the aggregate demand of all the critical changes is beyond what people can absorb, some of the initiatives that appeared to be imperatives will have to be reclassified as good ideas. The "realization" designation must be strictly reserved for business imperatives. A good idea can be granted realization status only if capacity remains after all business imperatives have been properly supported. This means, once remaining capacity is consumed, some really tough decisions must be made. There are five options:

- **Realization**—Implement the project in a way that ensures the solution works functionally or technically as designed and the people affected reflect the full spirit of its intent (rather than just going through the motions). This requires that a certain degree of "implementation integrity" be attained (desired mindsets/behaviors demonstrated in a quality manner and sustained over an appropriate amount of time).

- **Re-Scope**—Modify the stated goals, timetables, scale, and/or specifications of the project in order to reduce the overall resource consumption.

- **Delay**—Put the project on hold with no further action taken until formally sanctioned by sponsors.

- **Install**—Pursue the project with the understanding that the results accomplished will be less than the stated goals and/or they will be short-term in duration and/or superficial in nature.

- **Terminate**—Stop the project altogether. Discontinue funding and other resources, and announce that the project is no longer sanctioned by the sponsors.

Making these kinds of decisions is tough for leaders. Determining which initiatives must be downgraded from former business imperatives to good ideas, re-scoped, or terminated altogether can be very difficult, especially when some of the endeavors are the sponsor's pet projects or there is extreme political pressure being applied. Leaders need guidance and support to address this challenging task as they should and it is our role as change practitioners to be there for them.

The Future Is Now

Future shock poses a significant threat to an organization's ability to implement change, making it one of the most important execution pitfalls to avoid. It is vital that change sponsors and agents be both knowledgeable and skilled in: 1) assessing people's abilities to take on additional change, and 2) helping leaders make the tough decisions required to keep the proper balance between change-related demand and capacity.

Capacity/Demand Series Keywords			
Post 1	Post 2	Post 3	Post 4
agent	behavior	behaviors	agent
capacity	capacity	capacity	behavior
change	change	change	business imperative
consequence	dysfunctional	communication	change
demand	installation	demand	client
dysfunctional	intent	dysfunctional	dysfunction
intent	mindset	implementation	good idea
overload	overload	lens	implementation
practitioner	realization	mindset	intent
promises that matter	resource	pattern	intervention
sponsor	risk	risk	mindset
		success	overload
		the zone	practitioner
			realization
			solution
			sponsor