

Leading and Sustaining Organizational Change

*Chuck Conley
Culture Resilience Group
June 2024*

Executive Summary

The markets companies have chosen to compete in have become more turbulent daily. Bankruptcy filings for businesses rose 40.4% for year ending December 31, 2023. Only 10% of Chapter 11 filings end in success. The global economy is interdependent, leaving it susceptible to a shock like the one created by the pandemic four years ago.

This set of environmental circumstances places the onus on companies to quickly change and adapt to evolving market conditions. However, most organizations do not change quickly. They adapt at various speeds and levels of success. Many, miss the opportunity and fall by the wayside as statistics bear out.

At the Culture Resilience Group, we believe the market, organization and employee are linked through every environmental disruption or global shock. When adaptation takes place at every level the next wave of change comes in the form of increased competition, new technology or products. Thus change is continuous.

Today's organizations must develop four phases of capability to adapt and thrive in market conditions that will remain volatile. The development phases are shared mindset, sense of urgency, teamwork, and agility. Each phase honed and rapidly mobilized to meet the current wave of change. Resilience is subsequently developed to handle the next change or market disruption as well as limit organizational fatigue.

Introduction

In the 2008 remake of the movie "The Day The Earth Stood Still", the alien, Klaatu played by Keanu Reeves is having a discussion with Professor Barnhardt winner of a Nobel Prize for Biological Altruism played by John Cleese, regarding the future of planet Earth. Klaatu informs the professor that humans are destroying Earth, forcing a group of aliens to eliminate humans to stop the destruction. Professor Barnhardt opines humans can change and halt the destruction. Klaatu counters with the premise that very few civilizations successfully change.

At that moment in the movie, Professor Barnhardt profoundly states, "It is not until the brink of destruction that people find the will to change, only at the precipice do we evolve." Now as a business leader navigating a path through market disruptions and economic global shocks, that is not something you want to hear! Change only taking place at the point of destruction.

However, it is difficult to ignore business bankruptcies rose 40.4% in the year ending December 31, 2023. Companies from many different industries like Rite Aid, Bed Bath & Beyond, Party City, Tuesday Morning and WeWork struggled to navigate the competitive rapids and consequently filed bankruptcy. Some businesses you may be familiar with, others you may not know. The point being it is becoming increasingly difficult to lead your organization to sustained profitable growth in today's rapidly changing marketplace.

Based on recent history, one could summarize the market challenges of today will get larger and come about faster than before. In 2020, the coronavirus pandemic created an economic shock the global business community had not seen since the Great Recession in 2008 and 2009. A Who's Who list of companies such as Pier 1, Hertz, Stein Mart, J.C. Penny's, Gold's Gym, California Pizza Kitchen, Neiman Marcus, GNC and Brooks Brothers filed for bankruptcy protection due to the pandemic. Believe it or not, Brooks Brothers survived the Civil War, World War I, the Great Depression and World War II before this point in time. Some companies on this list reduced their footprint in the market, others transitioned to an online business only, while many had to be purchased to ensure continued existence.

The preceding information is not meant to scare or intimidate the leader seeking to make changes to their organization in response to shifting market dynamics. It is meant to give perspective to the current environment businesses have found themselves in as they seek profitable growth. An environment so fraught with extraordinary challenges, the organization must develop the agility to handle problems not previously experienced.

No one predicted the pandemic, yet the global business communities had to respond to the economic pitfalls created by its existence. Some responded quite well, others had difficulty as noted with the previous bankruptcy examples. Regardless of the lack of early warning, companies must be prepared to handle market disruptions whenever and wherever they arise.

The World Economic Forum produced a Global Risks Report for 2024. The organization identified numerous global risks for the next two years and ranked them by severity. The top ten global risks were:

- | | |
|-------------------------------------|--------------------------------|
| - Misinformation and disinformation | - Lack of economic opportunity |
| - Extreme weather events | - Inflation |
| - Societal polarization | - Involuntary migration |
| - Cyber insecurity | - Economic downturn |
| - Interstate armed conflict | - Pollution |

Depending on your business sector or industry, some or all the above global risks have the potential to disrupt the daily activities of your organization. You must prepare your organization for the potential disruptions that may require dramatic change in the way business is conducted.

By now, it should be evident that an organization must change to protect its very existence. There are no stable markets to grow your business, the competition is not willing to let you win and sustainability does not come to companies that sit still. Rapid change requires the collective will of the organization working in sync to respond to market opportunities that lead to profitable growth or disruptions that threaten the viability of the company.

Unlike Professor Barnhardt's statement, you cannot wait until the brink of destruction to find the will to change. There are too many examples of bankrupt corporations that could not change in time to make a difference in their outcome. You must quickly galvanize your leaders and employees to make the change in culture, process, procedures, and behaviors necessary to take advantage of opportunities or address issues that threaten the viability of the organization.

This paper will help you; (1) realize why change is continuous, (2) learn how to rapidly mobilize your employees to collectively work on common goals that adeptly respond to market disruptions, (3) develop the organizational agility to make quick responses that can yield a competitive advantage and (4) build the resilience to withstand the increased speed and complexity in which issues will certainly be presented to your organization in the future.

Change Is Continuous

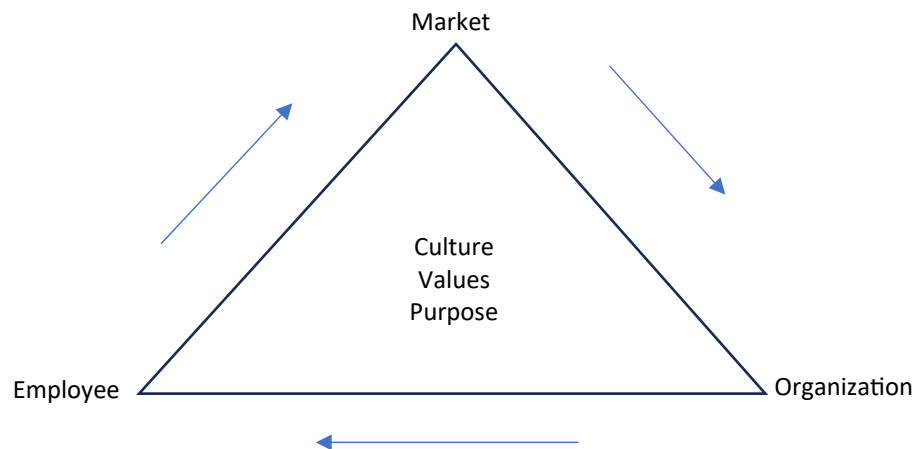
Many of you often hear the phrase "Change Is Continuous". Natural responses are "when will it slow down or stop" and "here we go again". Employees in a vast number of organizations have reached the burnout level and wonder why they keep going or is it time to throw in the towel. Leaders become timid about asking employees to give the extra effort or walk that additional mile to reach another milestone toward the vision that will take the organization closer to sustained profitable growth in a highly competitive market. Often, the reluctance of leaders is due to their own issues of burnout.

The 2024 Work Watch report by Monster revealed 75% of workers feel burnt out due to staffing shortages. The 2023 State of the Global Workforce Report by Gallup disclosed results indicating 59% of the workforce was "quite quitting". Sharing with you these nuggets of information is not meant to discourage your efforts to manage change. It is meant to give you a view of the landscape you must operate within as you take on your responsibility as a leader.

It is the hand you have been dealt. A workforce that may be exhausted faced with the challenges of heightened market competition, potential disruptions due to advancements in technology and the next global shock coming from around the corner. The last global shock (the pandemic) has contributed greatly to this exhaustion and may be the leading cause of the most recent "Great Resignation".

To understand how to prepare for continuous change, we must delve into the factors that create it. In the competitive business market, actions such as new product development, process improvement and innovative technology rapidly drive change.

When a competitor enhances their offering to the market, it forces competing organizations to adjust keep up. Consequently, the employees within those competing organizations change through development of new skills, processes and/or behaviors. Upon successful implementation of the change, the competition ramps up. Eventually, the same or additional competitors make more enhancements forcing the change cycle to continue. The illustration below shows the continuous change link between market, organization, and employee.



What you should notice in the illustration is the center which includes culture, values, and purpose. In a world of continuous and many times tumultuous change, leaders should seek stability in culture, values, and purpose of the organization. This means the consistent reinforcement of values and purpose of the organization while building the systems and practices to entice behaviors that stabilize the organization in the world of continuous change.

We know many will say "What does all of that mean?". Let us discuss an example of what we are talking about. A few years ago, Deloitte conducted a Burnout Survey with employees from various industries. One of the results from this survey was 1 in 4 employees (25%) never or rarely took all their vacation days.

To a leader in touch with the employees in their organization, this information is not surprising. You know employees who never take days off, even in situations where the days do not carryover for future use. However, in the world of continuous change not taking time away means not recharging mind and body for the next wave that is headed toward the organization and the employee who is not recharged or prepared for the next variance.

In this example, the stability in a world of continuous change is the leadership, coaching and guidance that creates repeatable behaviors within the culture. Those actions taken are

components of preparation for the employee and the organization to what surely is headed their way soon. The example can lead to many other questions leaders should ask themselves as they prepare for continuous change. Does our time-off program offer the right value proposition for the employee and organization? Do employees have enough time to recharge given the speed of change inside and outside the organization? What other behaviors are norms or could become norms to help prepare for change?

To this point we have discussed the events that normally happen within a competitive market that starts the wave of change. The recent pandemic was not normal, and it created a global shock that reverberated in markets throughout the world. The impact devastated almost as many businesses as the Great Recession.

In the 2024 Global Risks report, 54% of respondents anticipate some instability and a moderate risk of global catastrophes while another 27% expect greater turbulence. Only 16% of respondents expected a calm outlook over the next two years.

We live in a world of globalization where economies are increasingly interconnected and interdependent. This yields numerous benefits such as trade opportunities, market growth and new jobs. However, the good does not come without undeniable risks. An economic shock originating in one part of the world can wave across a country or continent turning into a global catastrophe.

Those type of events usually force a more rapid and broader approach to change. The social distancing required in the early stages of the pandemic led to remote work and deliveries from restaurants that had never done so in the past. Many companies had to embrace activities that were uncomfortable to them to survive. Much like Professor Barnhardt's opinion in the movie "The Day The Earth Stood Still", change evolved at the point of destruction. Bankruptcies were the highest the country experienced since the Great Recession. Some companies never recovered.

Quickly embracing remote work was one of the solutions that worked for companies during the pandemic to keep their operations afloat. That does not mean it will be a solution for the next global catastrophe. The key is the capability of the organization and employee to respond to the unknown challenges surely headed their way soon.

Leaders who are prepared for the next wave of change can:

- Rapidly mobilize the collective employee population toward a common vision
- Develop a shared mindset through reinforcement of purpose and values
- Build the organizational competence to handle continuous change
- Set anchors within the culture to reinvigorate employees

As we move forward, we will go into greater detail regarding the capabilities leaders demonstrate while guiding their organization through the rough seas of change.

Rapid Mobilization

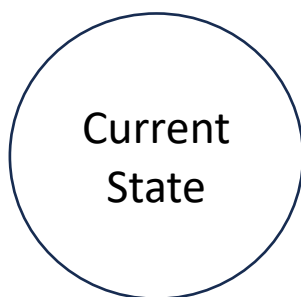
In our history, sea captains who commanded ships with sails yelled out "All Hands On Deck" when threatened by storms. Everyone was expected to drop what they were doing and come up top, regardless of what your normal duties were at that point in time. These sailors didn't just rush up to the deck and await orders. In most cases they had pre-assigned tasks to complete. This is a perfect example of rapid mobilization. The complete organization with skills and training quickly focused on a common vision.

The difficulty today is we see too many examples of mobilization attempts that are anything but rapid. Some people would argue it is impossible to mobilize a group of people due to our differences. Our systems of government seem paralyzed. Our society becomes more polarized each day. Although we have numerous sophisticated communication channels, they don't seem to help bring people together.

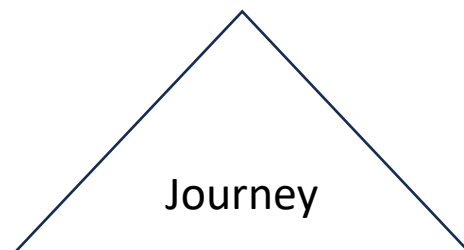
So, we ask our leaders to drown out all the outside noise and bring people together to reach a common vision. On top of that, persuade people to do something they are not naturally comfortable doing. We want them to make the necessary changes in skills, behaviors and daily activities that support reaching that vision.

Rapid mobilization of a small or large group requires collective behaviors such as a keen awareness of the road map to the future state, a shared mindset to take on the venture, a sense of urgency and trust in each other and leadership to be there for one another throughout the journey.

A road map to the future state is a description of the current state in the organization, an illustration of the vision of future state and some thoughts about what it looks like taking the journey. Below you will find an example for a sales organization attempting to change.



Our culture values individual achievement
Present technology outdated
No systems to track customer behavior
Employees not trained to cross sell



Team training and development
New technology platforms reviewed
Framework for customer database started
Sales training initiated



Teams collaborate to meet objectives
New technology implemented
Customer data gathered and stored
Cross selling generates significant revenues

Leaders should utilize the road map to communicate, communicate and communicate. Although most leaders have numerous communication channels to quickly reach large numbers of employees, starting with face to face will most likely build a faster coalition for the future state vision. Remember, many employees are already on information overload so seeing and feeling the leader's emotion about the change can put it at top of mind.

In 1975, Kodak invented the first digital camera. However, they never developed the shared mindset to make the necessary change in their organization that would leverage the new technology in the marketplace. Much of the conflict centered around not wanting to impede on the lucrative film business. Competitors finally started to sell digital cameras 15 years later and passed Kodak by in this business. Kodak never regained its footing in the market and filed for bankruptcy in 2012.

Building a shared mindset within the organization is a prerequisite to developing a sense of urgency. You cannot get employees to make an initiative a priority unless they believe in it. Therefore, leaders must communicate the necessity of making the journey to the future state. More important, they must address the "What's In It For Me" to the employee population.

There are numerous reasons employees benefit from the change an organization decides to take on. It could be greater job security in turbulent times, new skills attained from the preparation for change or the opportunity to earn additional rewards upon reaching key milestones or complete transformation. Leaders should not be hesitant to promote the benefits employees may experience as the organization makes the journey to future state.

Yahoo first turned down an offer to buy Google for \$1 million in 1998. After thinking about it for four years, the offer was raised to \$3 Billion. However, by then Google wanted \$5 billion and Yahoo failed to pull the trigger on the deal. Today, Google has a market cap of \$1.975 trillion. Knowing it still needed to do something Yahoo offered \$1.1 billion for Facebook in 2006. At the time, Facebook was generating \$20 million in revenues. During negotiations Yahoo lowered their offer to \$800 million and Facebook backed out of the deal. Facebook now has a market cap of \$1.26 trillion.

Through a significant period, Yahoo knew it needed to do something else to secure the company future, but it lacked the sense of urgency to get a deal done. Standing in front of them was the opportunity to purchase what is today, the Fortune 500's 8th and 31st ranked companies. Yahoo was acquired by Verizon in 2016.

A "sense of urgency" has been defined as a feeling or mindset that a particular situation or task is time sensitive and requires immediate attention or action. That inherently means, deal with it quickly before the opportunity is lost. When taking an organization to a future state, having a sense of urgency means that initiative is job one. The utmost priority of priorities. It is the first thing a leader discusses at the beginning of the day and the final topic at the end of the day.

Since the start of the Fortune 500 list in 1955, it has been littered with dropouts that didn't seize the day (*carpe diem*) or follow through on their plan for change. Change does not take place without a sense of urgency. There are too many distractions in the world today!

We have now informed you that a shared mindset and sense of urgency were needed to take a collective small or large group of employees to a future state for the organization. However, a foundation of trust must be built to help employees through difficult obstacles and moments of doubt. Employees must know leaders have their backs when they step out of their comfort zone or take on problems not previously experienced within the organization.

The PWC 2024 Trust Survey offered interesting perspectives on how leaders and employees viewed trust in their organization. Eighty-six percent of executive respondents said trust was high but only 67% of employees cited they trusted their organization. Forty-two percent of executives responded that productivity was the greatest risk if employees did not trust the organization. While 71% of employees replied their trust would increase if they had flexibility around when work gets done. Only 43% of executives acknowledged offering that type of flexibility.

Leaders must be present during turbulent times, establish communication practices that reach all levels of the organization and demonstrate acts of kindness that lets the workforce know you care about them.

Marie Curie was the first woman to win a Nobel Prize in 1903. However, her achievements didn't stop there. During World War I, she recognized the need for field radiological centers near the front lines to treat wounded soldiers. She worked tirelessly to equip field hospitals and ambulances with x-ray equipment. It is estimated that over 1 million soldiers were treated between the ambulances and the 200 radiological units at field hospitals. What is most impressive is her determination to drive the ambulances directly to the front lines when needed. At the greatest time of need and the most turbulent of circumstances, Marie Curie chose to be present.

In many organizations today, leaders will utilize Zoom, Teams, or other similar communication channels to get messages out to employees. These methods have proven to be a good alternative to rapidly disseminate messages to large groups of employees. However, in too many instances the communication channel is one way, leadership to employees. There are organizations using employee feedback apps but regardless of how much anonymity is promised there is still some reluctance by employees to be candid.

There is something to be said about face-to-face communication even at the expense of time and limited group size. The leader has a better opportunity to emotionally connect with employees and connected employees will be the best ambassadors for the change initiative.

The connection also helps the leader to learn more about the needs of the employees. Any attempt to give support to employees during the change process should be done with the

knowledge of what actions can provide the most help. Employee needs may include flexibility, recognition, skill development and monetary. The trust in leadership is when they know you are there for them.

Developing The Skills

Every change initiative has a requisite of skills leaders and employees of the organization must develop to successfully transform the organization. The skills may vary depending on the change initiative, industry, and marketplace the organization wishes to make progress in. However, change is continuous which suggests there are a set of skills that will be repeatedly utilized. The development of these skills gives the organization the capability to handle the waves of change coming its way.

In our experience, agility is the most useful capability an organization can have in its toolbox to respond to the need for change. However, much like our premise of a shared mindset being a prerequisite to sense of urgency, teamwork is a necessary capability to build before taking on agility. The definition of agility can be stated as the ability to think and understand quickly. When attained, that ability speeds the employee's adaptation to the changing circumstances. Individuals can have these skills throughout the organization, but it is the organization that must think and understand quickly when faced with events or challenges never experienced.

In the world of continuous change, the organization must learn to move in unison. Imagine if the top salesperson in a corporate furniture supply company was in the final stages of a bidding process against top competitors for a multi- million-dollar contract. The contract is surely a top priority for that salesperson. However, the salesperson cannot wait weeks for the finance department to approve the bid or logistics to agree with contract delivery dates or inventory control to identify whether the stated stock of furniture is available. All must work in unison for the deal to be successful.

In this situation, price alone may not win out. The other components of service delivery could very well come into play given the competition. This example demonstrates the need for teamwork across the organization structure to beat out the competition. When employees find ways to work across the organization's structure to help each other meet the needs of your customers, they operate with the agility that produces a competitive advantage.

Many of us have used the phrase "Houston, we had a problem." to announce another common life obstacle to a stress-free day. You may or may not know the phrase originated during the Apollo 13 mission that was scheduled to be the third lunar landing for NASA. However, the mission was aborted after a fire ripped through one of the command module's oxygen tanks and damaged another.

The mission quickly changed from landing on the moon to get the astronauts safely home. This was no easy feat and provided the world with a demonstration of teamwork and agility never seen before in history. The astronauts in space had to work with the Mission Control crew on the ground to rapidly respond to a life and death situation. The Flight Director of Mission Control pulled his shift of controllers off their regular assignments to focus on managing consumables like water and power. Spacecraft manufacturers were brought in to give around the clock support to Mission Control and the astronauts as workarounds were developed to utilize the spacecraft without the availability of many systems that were damaged.

Problem solving throughout this ordeal was rapid and concise. Teamwork was flawless driven by a commitment to each other and the mission of getting the astronauts safely home. Many members of the Mission Control Team had to work outside of the normal areas of responsibility to ensure resources critical to survival were maintained for as long as possible. The command module of the spacecraft was damaged to where it could not sustain the astronauts for the journey back home. The lunar module, which was designed to take two of the three astronauts to the surface of the moon once they reached its orbit was turned into a lifeboat for all three to get back home.

Adding to the complexity of the situation, the lunar module didn't have a heat shield so it could not be used for re-entry into Earth's atmosphere. Therefore, the remaining power left in the command module had to be conserved until the astronauts reached Earth's orbit. The return journey was extremely arduous. Workarounds such as using plastic bags, cardboard and duct tape had to be employed for breathing and protection against rising CO2 levels.

Six days after the mission began, the astronaut crew landed safely on earth. All three had lost a significant amount of weight and one had a kidney infection. However, they were alive thanks to the willingness of three teams, the astronauts, Mission Control, and the spacecraft manufacturers to work in unison for the purpose of getting the crew back safely. Three teams working as one team with a common goal, problem solving skills and commitment to each other.

As we mentioned earlier, agility is the ability to think and understand quickly. Leaders can utilize teamwork to move the skill of agility beyond individual employees to a capability of the organization. In the Apollo 13 situation, the three teams utilized problem solving skills to make determinations, were comfortable in handling risk and uncertainty and were decisive in a crisis or high stress environment. The teams attacked the problem. They didn't kick it around or go back and forth without reaching a decision. In this case, teams working in a high-pressure environment reached timely decisions.

Leaders will need that behavior to be the standard in their organization as the environment we work and the markets we seek growth become increasingly turbulent. We have given you the organization profile to handle such an environment:

Shared Mindset
Sense of Urgency
Teamwork
Agility

Don't wait to develop it!

Resilience To Prevail

Resilience has been defined as the capacity to withstand or recover from difficulties. History has numerous examples of people demonstrating resilience by overcoming difficulties. Thomas Edison failed between 1,000 and 10,000 times before he invented the light bulb. Benjamin Franklin educated himself when his parents could no longer afford to send him to school. Walt Disney was fired from the Kansas City Star newspaper because his editor thought he didn't have enough imagination or creativity.

The examples we are giving you are individuals. As a leader, you must think about a collection of individuals that represent your company. How do you develop the toughness throughout the organization that can withstand the change that never stops? Is there a way to convert the resilience skill of individuals to a capability of the organization?

We believe there are practices that should be established within the organization to create what we call "Resilience Anchors". The first is appropriate time to rest and recover to support mental and physical health needs. Leaders should thoroughly review their total platform of "time away" policies and procedures to ensure recovery from the rigorous work of change can take place. Not just how much time off employees have at their discretion, but what is taken. Analyzing what is taken will help you determine if there are cultural norms or practices that may prevent breaking away from work to rest and recuperate.

The 2024 Global Human Capital Trends Report by Deloitte asked employees "Which of the following developments do you worry about as it relates to your work?". The number one answer on the survey was "increasing work stress leading to worse mental health". The answer was 25 percentage points greater than the next response. The Society for Human Resource Management 2023-2024 State of the Workplace Report revealed employee mental health as the number two concern for organizations, only following inflation.

When reviewing your practices for "time away" from work look at them through the lens of flexibility. Throughout this chapter we have acknowledged how repetitious and relentless change can be on an organization and its workforce. Make sure your offerings prepare the employees for the next wave of change by being useful at the time of need.

Should you get your employee population prepared to respond to the necessary change that keeps your organization on par or ahead of your competitors, find ways to recognize the extraordinary achievements. Establish a program that highlights the best accomplishments and continuously expand it to ensure the behaviors "catch fire". Utilize recognition practices that are above the norm in your culture because these are not normal times.

The Great Place To Work organization identified "recognize me" as the number one driver of great work. The response was 30 percentage points higher than "pay me more" and 25 percentage points more than "give me autonomy".

Although the 2023 Gallup From Praise to Profits Report revealed a 22% decrease in absenteeism and 9% increase in profits for those organizations implementing recognition programs, we are recommending their utilization as a key component to build resilience within your organization.

Skill building can do wonders for employees experiencing continuous change. We have noted skills such as problem solving, teamwork and communication are critical to developing the agility to handle the rigors of change. However, the organization must continue to evolve with the increased complexity of challenges. Employees must develop deeper into problem solving by learning to systematically gather relevant information or assess situations in an in-depth manner while reviewing all possible alternatives and consequences. They must learn to facilitate and lead team activities versus just being an engaged participant. As a leader, you want the employee communication skills to improve where each person encourages an open expression of opinions and ideas. This is a skillset many employees may not have when they enter your organization due to the contentious behavior seen throughout our society in today's world.

Taking the initiative to build the "Resilience Anchors" in your organization can position your employees to handle the waves of change they are presently experiencing or is surely headed their way. Developing a resilience capability within your organization may be the most difficult aspect of preparing for change. However, the reward is priceless when the next economic downturn or global shock comes your way.

Conclusion

We have given you a lot to think about in this paper, "Leading & Sustaining Organizational Change". The global risks are real. We see and feel them daily. Yet many of us will try to ignore them, hoping "this too will pass".

According to research organizations such as the World Atlas and Statista, the United States has led the world over the last few years in the number of natural disasters. The most common type of disasters has been floods and storms. Although we are made aware of these events through a multitude of news and media platforms, our level of concern does not seem to have risen with the increased volume.

Insurance companies are dropping coverages or writing exclusions in many markets in response to the climate change. China has also been one of the top countries experiencing natural disasters. As most of you know the United States and China are the two largest economies in the world. In this paper, we acknowledged how interconnected markets are due to globalization. The probability is high the continued rise in natural disasters and our connection to the economies of the world opens the door for the next global shock.

Don't ignore the signs. Prepare your organization today!

About the Editor

Chuck Conley is the Managing Partner at the Culture Resilience Group. He has previously held positions in various organizations such as CEO of a Leadership Institute, Chief Learning Officer, and Vice President- Human Resources. Chuck has been responsible for transformations in organizations across multiple industries.