

PART ONE

OVERVIEW

Several years ago I left the dreamy spires of Oxford to return to the United States and look for a teaching position. It was my career plan to settle down into an academic post somewhere. But that was not to be. I ultimately found myself on a very different path; I took a job with a large manufacturing organization and stayed for eight years.

During that time, I became a plant manager rather than a tenured professor. Instead of walking the halls of academe in khakis and loafers, I found myself in fire-retardant greens and steel-toed boots with metatarsal shields. When I made the theory-to-practice transition and traded the ivory tower for the shop floor, I could not have imagined the journey ahead. In the end, the company I worked for succumbed to the competitive pressures of international rivals. We shuttered the operations, declared bankruptcy, and liquidated the assets. The crushing reality of our demise appeared in the form of overseas engineers who came on site in legions, disassembled the factory, boxed it up, and shipped it back across the ocean.

I had participated in an archetypal case of global change, felt its impact on a single organization, and struggled in the bloody aftermath. From my cockpit, I witnessed the long arm of macro-economic force tap an organization on the shoulder and say, "You're out of the game!" Emotionally, I was stunned. I had given several years of my professional life to a cause that had ended in failure and loss for several thousand people. Intellectually, I recognized that I had been thrust into a leadership issue of first importance—the imperative to respond to fearsome adaptive challenge. This is the issue that I seized upon and have tried to advance in this book.

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In the field of change, we have something of a crisis of leadership today, in part, I believe because the strength of our theory has not kept pace with the magnitude of our challenge. It is ultimately not very helpful to tell leaders that the turbulence, speed, and dislocation of the global age have ushered in a monumentally challenging era. It's equally unproductive to tell leaders that the chief impulse of organizations is to rest, and that without strong leadership organizations slump into intractable and rebellious complacency. So what? Unless there is solid, empirically-based theory and a set of practical tools to help a leader respond to a change imperative, we haven't helped anybody. At the end of the day, leadership will always be an applied discipline.

When confronting an adaptive challenge, leaders need to know where their expenditure of effort should go, how to give them, and why. They need to know the mechanisms that arouse and call forth institutional will. They need to know the levers that will multiply force and bring transforming potential to an organization struggling to survive. These are the urgent questions that have driven my research agenda. Most of the leaders involved in the cases I studied make the same confession: they don't have a well-developed theory about the process and how to proceed. Hence the need to puzzle out the answers.

I understand that practitioners learn from theorists. I was one of them. What I have come to appreciate is how much theorists learn from practitioners. In this book, I have attempted to make some headway in solving the riddle of large-scale organizational change by learning from a spectrum of cases and a stable of practitioners.

In Part One, I want to accomplish two things. First, I want to frame the issue. By this I mean that I want to explain just how central successful change leadership is in the global age. I want to show the immense stakes on the table and the torturous course and lasting consequences of getting it wrong. My second aim is to lay out the discernable patterns of large-scale organizational change from primary research and provide an overview of what I call the EPIC methodology. Once I set the stage with these two tasks, I will present a fuller analysis. I will attempt to explain how leaders can win titanic battles with the competitive forces that prey on their organizations.

CHAPTER ONE

A MORE DANGEROUS
CALLING

*Everything in life can be summarized in two words:
Challenge—Response.*

ARNOLD TOYNBEE

Consider the changing physical profile of linemen who play in the National Football League (NFL). In 1976, there wasn't a single player who tipped the scales at over three hundred pounds. Ten years later, there were 18. During the following decade, the number of players in this fleshy category swelled to 289. Fast-forward to the present, and that number has nearly doubled, with no fewer than 570 players on NFL rosters weighing in at not a biscuit under the three-hundred-pound threshold, constituting fully 20 percent of the player population.¹ Yet the beefier trend isn't new. Players have gradually been getting bigger since the early days of the game; for example, the average lineman for the Pittsburgh Steelers weighed 210 pounds in 1946. Beyond the girth, however, what catches the eye is the astonishing acceleration of the trend.

The hardwood is no different from the gridiron. Look at the mobility of labor in the National Basketball Association (NBA). When Larry Bird was a rookie for the Boston Celtics in 1979, there were six international players in the entire league. By 1997, that number had risen to twenty-nine. In 2006, there were a striking eighty-two international players from thirty-eight countries on opening-day rosters, with players hailing from such unlikely places

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as Congo, Latvia, and Turkey. Eight players alone come from Serbia and Montenegro. A record seven international players competed in the NBA finals in 2006, and in 2007 the league's best and second-best players were both international players.² Again, we note a curious and almost inexplicable acceleration of the trend.

These examples of accelerating change are more than carnival curiosities; they characterize the global age. They symbolize the storms of our time—a hastening pace, intensifying competition, and a new Darwinian ferocity. There are similar examples in every industry. And it's no different in health care, education, government, and the nonprofit sector. In both scope and magnitude, the adaptive challenges confronting organizations are unprecedented. There is simply less deliverance through incremental change than there used to be. Organizations frequently require transformational change to revive their fortunes in addition to ongoing, steady improvement. One thing is clear: if there is to be no slowing down, no spontaneous return to order, and no new era of stability, the implications for leaders are permanently and profoundly important.

When competitive forces accelerate, it elevates the leadership challenge. It introduces new demands and skill requirements. The compression creates more cognitive complexity and emotional intensity. Without warning, forces may combine at any time to thwart existing plans and with a hard shoulder push you as a leader onto a different path. If you are not prepared to lead in the midst of turbulence, the global age will pin you against the limits of your ability to respond. If you can't perform on the new leadership stage, you eventually will fail upward.

The challenge is to get comfortable with uncertainty, live on the edge of chaos, and sustain competitive advantage in the face of endless dynamism. It has become a universal aspiration to figure out how. Organizations everywhere are clamoring to infuse their leaders with the skills that will combine to produce this aptitude. Take a look at almost any Fortune 500 company's leadership development model and you are likely to find some variation of leading or managing change listed as a core competency. Non-business organizations are moving in the same direction. The Office of Personnel Management (OPM), the United States federal government's Human Resources department, for example, identifies

“leading change” as its first “executive core qualification” for federal employees who advance to the executive service.

The demand for guidance and direction with issues of change is also reflected in executive education. If the offerings of topflight business schools are any indication, courses on change are in constant high demand. Open-enrollment courses on the subject have found a permanent place in the curriculum. Here’s just a sampling of what the market has to offer:

- University of California Berkeley, Haas School of Business: “Leading Change: Demystifying Uncertainty”
- University of Chicago, Graduate School of Business: “Implementing Innovation and Change”
- Columbia University, Graduate School of Business: “Leading Strategic Growth and Change”
- Duke University, Fuqua School of Business: “Leading Innovation and Change”
- ESEAD (Spain): “Managing Change via Culture Reengineering”
- Harvard and Stanford Schools of Business: “Leading Change and Organizational Renewal”
- INSEAD (France): “Women Leading Change in Global Business”
- Massachusetts Institute of Technology (MIT): “Leading Change in Complex Organizations”
- University of Michigan, Ross School of Business: “Healthcare Leadership and Change”
- Oxford University, Said School of Business (U.K.) and HEC School of Management (France): “Consulting and Coaching for Change”
- University of Pennsylvania, Wharton School of Business: “Leading Organizational Change”
- University of Virginia, Darden School of Business: “Managing Individual and Organizational Change”

Why all of the fuss? Again, no matter how anticipatory or prophetic an organization tries to be, there will be trajectories in markets and technology that no one will predict. When organizations need to break camp, they need leaders who know how.

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If an organization initiates change behind a leader who lacks this competency, it has taken an intolerably high risk. Organizations recognize that leading change, especially large-scale change, is unquestionably the most formidable challenge in leadership. Think about the essence of the task: to lead change is nothing less than to summon and redirect institutional will and capacity.

A standard definition of leadership, taught in the nation's colleges and universities, is the ability to influence people to achieve a shared goal. But if we're talking about change leadership, this definition crucially misses the mark. It's a midstream definition that assumes a shared goal. That is seldom the case. Once a goal is identified, the change leader's first order of business is to make it a shared one, something that can be the hardest and most time-consuming part of the process. Until a goal is shared, there is only dormant potential to achieve it, and people won't yet permit you to lead them. The goal will simply be denied or ignored. So my definition of change leadership starts one step back, where goals are made, communicated, and affirmed. The essence of change leadership is to respond to the adaptive cycle (see Figure 1.1).

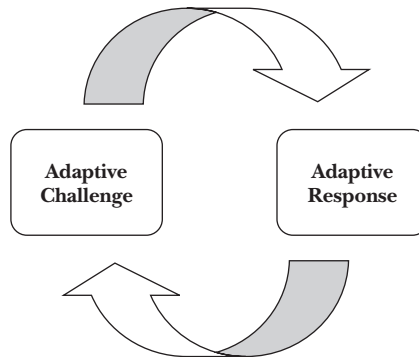
The rationale behind this book is the overwhelming evidence that too few leaders do change leadership well. No leader can afford to move headlong into a serious change effort without a solid understanding of how to navigate the process. The risk is too great. At the same time, if an organization's very existence is at stake, the leader has to act by responding to the threats, sudden shocks, seismic shifts, and rocking dislocations.

Here lies the dilemma: by forcing a response to adaptive challenge and at the same time by increasing the risk of failure, the global age is creating a disorienting encounter for leaders. It's making leadership a more dangerous calling than ever before.

Change leadership: The ability to help an organization respond to adaptive challenge.

Change in the global age is making leadership a more dangerous calling than ever before.

FIGURE 1.1. THE ADAPTIVE CYCLE.



EVIDENCE OF EXECUTIVE CHURN

This isn't merely intuitive theorizing. Mounting empirical evidence casts a shaft of confirming light on this thesis. For instance, the casualty rate among chief executives continues to rise. In 2005, there were 129 CEO changes in U.S.-based Fortune 1000 companies, a 126 percent increase in turnover since 2000.³ In terms of CEO transitions among North American public companies in particular, Liberum Research reports that CEO changes rose 30 percent, from 2,106 in 2005 to 2,733 in 2006. It also reports that management changes in general rose an astonishing 68 percent, from 16,672 in 2005 to 28,058 in 2006.⁴ If it isn't out of a breach of character and fiduciary duty (which I address in Chapter Five), leaders usually fail out of an inability to lead change.

In a recent study conducted by the Conference Board, researchers interviewed 540 CEOs and found that "adaptability to change" was their top business challenge.⁵ Another study questioned over a thousand board members from business and health care organizations that fired or forced out their chief executives. Respondents reported that the leading cause of failure was "mismanaging change."⁶ And a study conducted by Accenture found that three out of four major change efforts fail to meet their original objectives.⁷

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In all of this, we acknowledge today's menacing environment. No leader emerges unscathed. No leader is without bumps, bruises, and scar tissue from some degree of navigational error. The leadership success rate has gone down across the board because adaptive challenges come with greater speed. A good measure of that speed is skill obsolescence. Randy MacDonald, senior vice president of human resources at IBM, which employs 330,000 people around the world, estimates that 22 percent of the organization's workforce will have obsolete skills in only three years.⁸

I was more than a bit startled to hear a quartet of prominent leadership scholars recently declare that "superior results over a sustained period of time is the ultimate mark of an authentic leader."⁹ My own research comes to a very different conclusion. What I find instead is a pattern in which capable leaders at every level are struggling with unremarkable results and are often checkered with failure. The leader who is able to move through a career with sustained results and uninterrupted success is the rare exception indeed. Often these are the leaders who are either not playing hard enough or gaming the system to select low-risk opportunities that are likely to return professional success. So-called Teflon leaders are more often those who have ridden market waves but successfully avoided down cycles. The vast majority of leaders are struggling with the mantle and millennial requirement to lead change.

LEADERS DON'T GET PAID TO MAINTAIN THE STATUS QUO

Organizations don't outperform their leaders; they reflect them. An organization's ability to adapt and adjust to shifting demands is really a function of a leader's ability to lead change. In today's convulsing environment, this capacity has become more central and more embedded in the definition of leadership than ever before. It resides at the core because it encapsulates a leader's essential stewardship of keeping an organization viable. Regardless of what other competencies you as a leader may have or what other achievements you may attain, if you can't lead organizational

A leader's role is not to maintain the status quo. It is to maintain competitive advantage.

change in response to adaptive challenge, your chance of surviving in a leadership role is dramatically lower than it was just a few years ago.¹⁰ As leadership scholars Ronald Heifetz and Donald Laurie argue, “Getting people to do adaptive work is the mark of leadership in a competitive world.”¹¹ Or, as Kim Clark, the former dean of the Harvard Business School, observes, “Leadership shows up powerfully and in its most relevant context when you’re talking about significant change—when you are looking at the way the organization moves through time and how it adapts, grows, reacts, and responds to the stresses and strains and turbulences of life.”¹²

THE FOUR SPHERES OF LEADERSHIP LITERACY

In the global age, change leadership is more about the authority of knowledge than the authority of position, more about consent than command, more about influence than power. In the knowledge category, there have traditionally been three spheres of leadership literacy that are essential to leading change: personal, organizational, and market. These spheres represent the arenas within which leaders perform their work and accomplish their goals. Mastering these spheres has been important to leadership effectiveness and organizational success. But the global age has added a fourth sphere to this repertoire: awareness and understanding of the global arena. Figure 1.2 illustrates the four literacy requirements with concentric circles.

PERSONAL

Change leadership begins in the inner world in the sphere of personal understanding. Awareness of self is an enabling precondition to personal development. If you’re a low self-monitor and carry around a heavily edited version of your own reality, you have fewer bearing points to comprehend your performance. There’s a high chance that you will wander without solid and cumulative personal progress. As Warren Bennis, a noted student of leadership, explains, “Leaders, like the rest of us, have all sorts of ways of not looking at themselves, of overlooking shortcomings.”¹³

FIGURE 1.2. THE FOUR SPHERES OF LEADERSHIP LITERACY.



This is true, but the most outstanding leaders whom I've worked with are, as a group, far more submissive to the reality of their own strengths and weaknesses than the average person is. Reality has tutored them to seek the unvarnished truth of themselves, accept feedback in the unsparing light of day, and then do something about it. Those who lack personal knowledge are terribly handicapped. As Bennis further observes, "A lack of self-knowledge is the most common, every-day source of leadership failures."¹⁴ It's also the source of a lack of achievement. The late historian Arthur Schlesinger insightfully reminded us that everything that matters in our intellectual and moral life begins with an individual confronting his own mind and conscience in a room by himself. Hence, the first requirement for any leader is to become an intentional self-learner.

ORGANIZATIONAL

Literacy in the organizational realm means grasping the enterprise and understanding from a systems perspective how the organization does what it does in converting inputs into outputs. It assumes that you as the leader understand the fundamental relationships in the system and how they come together to create value. It means that you know how to acquire, develop, and retain talent. It implies that you comprehend your organization's

performance operationally, financially, and culturally and that you are fluent in all three of these languages.

MARKET

The arena of the market is closely related to the arena of the organization. You ultimately can't understand an organization outside its market context. To know the strengths of your assets and the weaknesses of your liabilities in relative terms, you have to know the topography of your market. You've got to be able to spot trends, threats, disruptions, and opportunities. Where is there waste, inefficiency, or unmet need in your market? These are opportunities.

The combination of organizational and market literacy allows you to formulate strategy and decide how you will compete. Phil Rosenzweig, a professor at IMD Business School in Lausanne, Switzerland, explains it this way: "Wise managers approach problems as interlocking probabilities. Their objective is not to find keys to guaranteed success but to improve the odds through a thoughtful consideration of factors." The reason, he explains, is that "the business world is not a place of clear causal relationships."¹⁵

GLOBAL

Keeping an eye on rivals and looking for budding opportunities in your market isn't enough. How can you innovate if your thinking is confined to your existing market? You can only emulate the competition, which will consign you, as the venture capitalist and former Apple computer marketer, Guy Kawasaki, puts it, to "duke it out on the same curve."¹⁶ Increasingly you must look outside your existing playing field with a wide lens.

Once considered the outer limits, the global arena represents the new literacy requirement: you must keep your eyebrows raised to macrolevel trends going on in the world regardless of how distant, remote, or removed they may seem. Leaders are now obliged to scale their awareness and push out traditional boundaries because what's distant, remote, or removed today can threaten your competitiveness tomorrow—for example:

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- In the span of fifteen years, the personal savings rate of Americans, meaning the percentage of after-tax income that the average American spends, fell precipitously from 5.2 percent to a negative 1 percent in 2006, representing the lowest rate since 1933 during the Great Depression.¹⁷
- In the span of eight years, the wind power industry has increased 500 percent, now producing 11,600 megawatts, or enough to power 2.5 million homes.¹⁸
- In the span of six years, Wikipedia has created an online encyclopedia through the mass collaboration of 300,000 volunteers, who have created and edited more than 5.3 million entries in over a hundred languages.¹⁹
- In the span of four years, the number of students in the United States being homeschooled has increased dramatically from 1.1 to 2 million.²⁰
- In the span of two years, BATS, an electronic trading network, has become the third-largest stock market in the United States, behind the New York Stock Exchange and NASDAQ.²¹
- In the span of one year, circulation among the nation's fifty largest newspapers has plummeted 3.2 percent.²²

Because markets can rise and fall with breathtaking speed, situational awareness is no longer a matter of knowing the market. Your strengths today—brand, market dominance, technological superiority, customer loyalty, or something else—often provide nothing but false comfort. The ability to sense and anticipate disruptive forces requires a distant early warning system that must reach into the global context. It doesn't mean that you need international experience and a foreign posting. Rather, it's an operating framework, a paradigm, and a cognitive requirement. It's also a healthy antidote to success-induced complacency, which overtakes leaders when they are doing well. Jim Owens, the CEO of heavy equipment maker Caterpillar, warns, "Almost all good companies make their worse mistakes in the best of times."²³

Ram Charan, the noted strategist, observes that "only by looking out far over the horizon and taking into account developing trends that may not seem directly relevant now can you really do the kind of analysis necessary to prepare for rapid change and new opportunities." He goes on to say that "you need to spread the

net wide, then do the mental processing to identify the underlying patterns.”²⁴ Global literacy has become the new requirement because it’s often too late to respond when new forces and trends enter your market. Ironically, a recent CEO casualty warned, “Don’t get calcified or you’ll miss entire trends and you’ll get passed over.”²⁵

You must now take an extra step to broaden your perspective, to move past the confines of market knowledge in order to see bottom-up trends.²⁶ Your biggest vulnerability is probably not visible in your own market. Without global literacy, you may not see the signs of early warning. The sheer speed of external change demands that you look out into the offing.

As globalization redefines what it means to be in a constant state of readiness, global literacy can help you respond to the inevitable adaptive challenge. It can help you stay on the offensive. You may not always act preemptively, but your ability to respond will certainly be more effective if you’re informed of global movements.

There are several areas in which leaders should cultivate a basic and ongoing awareness of macro trends, including areas such as technology, demographics, business and economics, education, health and health care, politics and public policy, and the environment and natural resources. A high level of external awareness makes you more vigilant and ready for change because you’re less likely to be surprised by it. But the awareness has another benefit: when you constantly scan the competitive landscape and make a habit of trying to understand trends and movements, you become better able to respond to the unexpected.

EXAMPLES OF CHANGE

Today’s globalizing environment is a constant threat to successful leadership and organizational performance. It doesn’t happen immediately, but change on the outside eventually calls forth change on the inside. More than ever before, it’s critical to see trends in the distance, allowing you time and space to prepare for their arrival and impact. Let’s review some examples of change in the areas I mentioned.

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Technology

- The cost of a gigabyte of computer memory dropped from \$10 million in 1956 to \$7,700 in 1990, to \$13.30 in 2000, to \$1.00 in 2006.²⁷
- In 2000, Japan, Korea, and China accounted for 13 percent of all patents filed with the World Intellectual Property Organization. In 2005, that percentage climbed to 21, or one in five.²⁸
- The cost of a high-definition video camera in 1984 was \$585,000. Today it's under \$6,000.²⁹
- The computational capability of an Intel processor, as measured in instructions per second, was 60,000 in 1971. In 2005, it was 10.8 billion.³⁰
- An estimated 200,000 open source programs are being developed by programmers around the world today.³¹

Demographics

- Sales of white bread in the United States fell from \$2.3 billion in 2001 to \$2 billion in 2005. During the same time period, tortilla sales rose from \$811 million to \$1 billion.³²
- By the year 2010, one in every three workers in the U.S. labor force will be people of color.³³
- The percentage of people working as independent contractors and on-call workers increased from 7.9 to 9.1 percent between 2001 and 2005, a rise of 2.1 million.³⁴
- One in eight couples who married in 2005 in the United States met online.³⁵
- The population of Russia is declining at the rate of 100 people every hour. The current population of 144 million is projected to drop to between 80 and 100 million by the year 2050.³⁶

Business and Economics

- In 1976, Americans drank 1.6 gallons of bottled water on average. In 2006, the average had soared to 28.3 gallons.³⁷
- Total world cross-border trade as a percentage of global gross domestic product was 18 percent in 1990. It is estimated to be 30 percent by 2030.³⁸

- Offshoring employment will grow from 1.5 million jobs in 2003 to 4.1 million in 2008.³⁹
- In 2001, the United States accounted for 36 percent of the world's initial public offering activity in dollars. By 2005, that percentage had plunged to 24 percent.⁴⁰
- Internet advertising rose 29 percent to \$18 billion in 2006 over the prior year, whereas television advertising rose only 4 percent, to \$147 billion.⁴¹
- Foreign money finances 32 percent of U.S. domestic debt today, up from just 7 percent in 1995.⁴²

Education

- More than half of the Ph.D.s being awarded in the United States in science and engineering are going to students from China, India, Korea, and Taiwan.⁴³
- Only eighteen out of one hundred high school freshmen in the United States will graduate on time, enroll directly in college, and earn an associate degree in three years or a bachelor's degree in six years.⁴⁴
- The average tuition at a private, nonprofit college in the United States has risen 81 percent, or more than double the rate of inflation, over the past seven years.⁴⁵
- Math performance among American fifteen-year-olds has slipped to twenty-eighth among industrialized nations.⁴⁶
- Three million students are currently pursuing college degrees online in the United States.⁴⁷

Health and Health Care

- AIDS is the fourth leading cause of death in the world and accounts for 2.8 million deaths each year. Researchers estimate that it will become the third leading killer and that 120 million people could die from AIDS in the next twenty-five years.⁴⁸
- In the past five years, seventy-nine medical devices, such as stents, defibrillators, and artificial joints, have been removed from the market due to potentially fatal side effects.⁴⁹
- The overall cost of health care in the United States doubled from 1993 to 2004, from roughly \$70 to \$140 billion.⁵⁰

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- The number of total knee replacement surgeries is projected to soar 600 percent, from 38,300 procedures performed in 2005 to 268,200 in 2030.⁵¹
- Small and medium-size hospitals are outsourcing the reading of CAT scans to doctors in India and Australia.⁵²

Politics and Public Policy

- Cybercrime is the FBI's third-highest priority behind terrorism and counterintelligence.⁵³
- China and India have eased the tensions that once characterized their relationship. Bilateral trade grew from \$200 million in the 1990s to \$20 billion in 2005.⁵⁴
- In 2005, an estimated \$300 billion in bribes was paid out in Russia compared to \$30 billion in 2001.⁵⁵
- The total value of imported goods covered by antidumping laws increased from \$8 billion between 1984 and 1993 to \$14 billion between 1994 and 2003.⁵⁶
- Economic freedom has steadily increased throughout the world during the past decade.⁵⁷

Environment and Natural Resources

- Scientists estimate that 90 percent of fish and shellfish species that are fished from the sea could be depleted by the year 2048.⁵⁸
- From 2003 to 2006, the percentage of the total U.S. corn harvest used to produce biofuels rose to from 12 to 16 percent.⁵⁹
- The United States accounts for only 5 percent of the world's population but 25 percent of global carbon dioxide emissions.⁶⁰
- Global wind capacity increased 24 percent to 59,084 megawatts from 2004 to 2005, a growth trend that is expected to accelerate.⁶¹
- Global wood consumption has increased by 63 percent since 1961.⁶²

ACCELERATION

Less than twenty years ago, Charles Handy, the British management scholar, remarked that “circumstances do combine occasionally to discomfort the advocates of the status quo.”⁶³ Change has long since overtaken those words and rendered them obsolete. Circumstances now combine continuously to overthrow the advocates of the status quo. The acceleration of external change has become the central theme of our time. For example, 5 million new subscribers sign up for wireless services every month in India.⁶⁴ That’s the kind of acceleration that I’m talking about. Consider what these notable business leaders and thinkers have said about the speed of change:

“An analysis of the history of technology shows that technological change is exponential, contrary to the common-sense ‘intuitive linear’ view. So we won’t experience 100 years of progress in the 21st century—it will be more like 20,000 years of progress (at today’s rate).” —Ray Kurzweil, noted scientist and futurist.⁶⁵

“American business is in the midst of the greatest transformation since the industrialization and massive growth at the turn of the 20th century.” —Robert J. Samuelson, editor, *Newsweek*.⁶⁶

“Are today’s toughest jobs really any more demanding than yesterday’s? After all, people like to believe they live in the most challenging times ever, but isn’t that just egotism? In fact, strong evidence says the hardest jobs now really may be in a class by themselves. That’s because the world is going through a genuine epochal transformation on the scale of the industrial revolution 200 years ago.” —Geoffrey Colvin, editor, *Fortune Magazine*.⁶⁷

“The twenty-first century will be about velocity: the speed of business and the speed of change.” —Bill Gates.⁶⁸

“The marketplace we’re now living in is the most dynamic, competitive, global economy in recorded history.” —Louis Gerstner, former chairman of IBM.⁶⁹

“Everyone senses that business conditions are different from those of a few years ago, yet few grasp just how fundamental the

changes are and how swiftly they are overtaking businesses of all kinds. The business environment has changed by an order of magnitude.”—Larry Bossidy, former chairman of Honeywell, and Ram Charan, noted consultant and strategist.⁷⁰

PROFOUNDLY PERSONAL

The leadership challenge has not always been one of perform or perish. Just a few years ago, it was possible to hide in the bowels of an organization, and battalions of managers did. They nestled into their organizations and lived out sheltered professional lives in cocoons of job security and uninterrupted routine, courtesy of stable markets. In some industries, managers went for years without truly being tested because incremental change kept them unmolested in the absence of serious market discontinuity.

I still witness leaders who manage to survive only because they don’t visibly fail. Leaders in this category typically project the appearance of success through rhetorical careers: they talk and represent accomplishment while nothing really substantive happens. They like to tinker at the margins while the real focus is maintaining status by running a compromise machine and taking a so-called course of moderation and consensus.⁷¹ Leaders in this category are content to believe that a busy schedule suggests a life full of purpose. But this cohort too represents a dwindling population: leaders everywhere face market upheaval, rapid obsolescence, and short strategy cycles. Every leader in the global age will and should expect to see heavy combat.

*Every leader in the global age
will see combat.*

In every sector, whether business, health care, government, education, or nonprofit, there’s a steady stream of adaptive challenges that is antagonistic and inhospitable to comfort-seeking managers. External change sets in motion a train of consequences that arrives at the doorstep of every leader. Eventually it looks you in the eye and challenges your individual capacity to respond. It will most likely expose and exploit your weaknesses if you’re not prepared.

No more vivid and unfortunate example can be found than that of pilloried Michael C. Brown, the former director

of the Federal Emergency Management Association at the time Hurricane Katrina hit New Orleans. Under his leadership, the agency was unable to demonstrate strong emergency management in coordinating work among federal, state, and municipal agencies. As the nation's top emergency manager, Mr. Brown directed his field staff to put in place a pet evacuation plan no fewer than ten days after the storm hit. He led a shipwrecked response that forced his ouster. Clearly the impact of external change is ultimately and profoundly personal.⁷²

As Mark Vamos, the former editor of *Fast Company* magazine, concludes, "I suspect that it's harder than ever to be a good leader now. Businesses today face unprecedented disruption and an extraordinary lack of certainty."⁷³ The result of the new challenge is a pronounced leadership gap in many organizations. It's not uncommon to see leaders first unprepared, then overwhelmed, and finally defeated in their efforts to respond to external change.⁷⁴ The irony is that while many things will become obsolete, the ability to lead change will only become more important.⁷⁵ As Louis Gerstner, the former chairman of IBM, states, "The best leaders are change agents, constantly driving their institutions to adapt and advance faster than their competitors do."⁷⁶

Change leadership has become a gateway competency to both survival and success in the global age. But acquiring this competency is easier said than done. Change leadership is a broadly encompassing skill set, or integrated competency, that combines analytical, strategic, and emotional skills. For example, an analytical skill is to understand the limitations of your organization's competitive advantage and recognize from a distance when its position is being threatened. A strategic skill is figuring out what you're going to do about it. And an emotional skill is dealing with the ambiguity of the situation and winning the hearts and minds of your people to respond to the situation. In change leadership, all of these skills must come together.

THE RESEARCH

What prompted me to conduct the research for this book is the new context of change leadership and the evidence that

few leaders are well prepared to succeed in it. In the global age, there are more opportunities for success yet a higher probability of failure, which translates into a lower tolerance for error. Abraham Lincoln observed in his Second Annual Address to Congress that “the dogmas of the quiet past are inadequate to the stormy present.”⁷⁷ Given the ongoing acceleration of change in the external environment, Lincoln’s observation is once again fitting. A new stormy present has brought new challenges to change leadership, and leaders need new tools to confront and overcome them.

As a consultant, adviser, and researcher, I’ve worked with a variety of organizations. In the private sector, I’ve worked with some of the world’s best-known multinational corporations as well as a number of small and mid-sized concerns. I’ve worked in education, government, health care, and nonprofits. The types of adaptive challenges vary by sector, but the fundamental nature of the change imperatives that leaders face is very much the same across the board.

To provide a broad, empirical base of research that would yield useful findings for leaders at every level, I analyzed fifty-three change initiatives taken from archetypal categories of organizational change. The cases ranged widely in scope, magnitude, and duration. (The research appendix at the end of the book lists the categories.) I conducted in-depth qualitative interviews with both the leaders responsible for leading the change initiatives and other employees involved in the effort at various levels of the organizations. In total, I conducted more than three hundred interviews to deconstruct the cases in an attempt to understand the factors that contributed to both success and failure. As Peter Senge explains, “The bottom line of systems thinking is leverage.”⁷⁸ Hence, my ultimate quest was to locate the points of greatest leverage available to change leaders.

The research yielded six remarkably consistent patterns for successful change, which I explain in the next chapter. The central finding is what I term the *power curve of change*, which explains the patternlike way in which organizations perform work and absorb stress during any change process. In response to the demands of the power curve, I have developed an approach to help leaders master the process of moving successfully up

and down the power curve. That approach, called the EPIC methodology, explains from a systems-level perspective what drives successful change from stage to stage, including how change gets started, sustains momentum, and achieves lasting success. It's an applied approach that takes practical lessons out of primary research findings and the world of theory. The methodology has been field-tested with extraordinary success in a variety of organizations.

ORGANIZATION OF THE BOOK

The book is organized into five parts. Part One, the overview, encompasses this introductory chapter followed by a second chapter in which I introduce the EPIC methodology. In Chapter Two, I also explain the six patterns of successful change based on my research, beginning with a discussion of each of the EPIC stages: evaluation, preparation, implementation, and consolidation. I discuss the link between competitive advantage and change, as well as the dual nature of leadership to perform both operational and change work. The last part of the chapter describes the concept of organizational energy, the power curve, and the EPIC methodology that is built around it. Finally, I discuss which sources of energy a leader must activate in each EPIC stage and how to replenish energy in moving along the power curve. The remaining four parts of the book correspond to the four EPIC stages and the specific energy sources associated with each one.

Part Two addresses the first EPIC stage, evaluation. In Chapter Three, I introduce the first energy source of agility, which is an organization's initial state of change readiness. I discuss the difference between natural and conditioned agility; the intellectual, emotional, and physical dimensions of agility; and what you as a leader can do to increase agility in your organization.

The four chapters in Part Three discuss the four energy sources that must become operative during the second EPIC stage, preparation. We first consider urgency. I explain that urgency can be natural or conditioned and that natural urgency varies depending on whether an adaptive challenge is an opportunity, threat, or crisis. I discuss ways to increase urgency by appealing

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to both reason and emotion. Finally, I acknowledge that urgency is vital to ignite or catalyze change, yet it's never sufficient as an energy source. In Chapter Five, I address the next energy source, credibility. I explain how credibility functions as a source of energy and how it can make up for a lack of urgency when there isn't enough. I discuss the four gauges of credibility, which represent the key elements that elicit trust and what you can do personally to qualify for each one. You will also have a chance to take a short credibility self-assessment to see where you stand in terms of your own credibility.

In Chapter Six, I address the energy source of a coalition. I look at the applied process of putting a coalition together based on identifying the people needed to support change in order to overcome active and visible resistance as well as passive and invisible resistance. I walk you through a process and provide tools for building a coalition. The final chapter in Part Three addresses the last energy source of the preparation stage, vision. I introduce the concept of high fidelity and its requirements of clarity, relevance, and memory and provide a tool for you to build your own message. At the end of the chapter is a template to guide you through the questions and information sequence of creating a high-fidelity vision.

Part Four considers the third EPIC stage of implementation. In Chapter Eight, I explain how early results represent the critical energy source for this stage, why it can't be replaced with another energy source, and what you as a leader have to focus on in order to generate early results and sustain momentum during what is often the most difficult and challenging part of the change process. I deal with understanding risk and resistance from a motivation standpoint. Although I acknowledge the importance of using sound planning and management principles and practices, my purpose is not to teach the discipline of project management. Rather, I focus on using concepts to help identify motivational risks and sources of potential resistance that might create opposition to change. In Chapter Eight, I introduce tools and a process for identifying potential resistance, especially the resistance that results from small changes that have the potential to explode into strong and broad-based organizational resistance. Using the gain/impact matrix, I talk about how change can be classified

depending on its strategic gain and personal impact. Finally, I suggest several ways of avoiding changes that appear to be dangerous based on their disruptive potential.

In Part Five, I address the final EPIC stage of consolidation. I explain what consolidation means and how it is achieved. I address the seventh primary energy source of sustained results, which is necessary for any major change initiative to take root and become a lasting part of the organization. I discuss the difference between consolidation and critical mass, as well as several other pitfalls that tempt leaders to step away from the point of action too soon. I then discuss the three layers of change (structural, behavioral, and cultural) that occur during the consolidation process. I conclude the chapter by exploring the reasons leaders often take their hands off the steering wheel after initial success but before change has progressed to the point of consolidation. Finally, I discuss the applied process of achieving consolidation. This is accomplished through a continuous process of evaluating the progress of change and identifying the elements of resistance that need to be starved and the elements of energy that need to be fed. I conclude with a short chapter in which I raise two final questions. First, does leadership style matter? And second, if culture is both friend and foe in organizational change, what should we do about it?

CONCLUSION

Change is harrowing, yet it can be supremely rewarding. It is planned deprivation with only potential gratification. It holds out uncertain rewards. It's a risk though not always a choice. It can be directed but not controlled. It implies a redistribution of power, resources, comforts, advantages, opportunities, and so forth. Nobody knows who is going to have to give up what. People don't like that very much; they want guarantees. But organizations thrust into the crucible of change can't hold out that promise. All the organization can do is place bets on leaders and strategies.

Many of the leaders I work with report the same exhilarating experience when they lead change successfully. They talk about ridding their organizations of hindering politics and debilitating

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lethargy, bringing to the surface capacities that simply do not emerge outside crisis, and creating the most penetrating level of self-awareness they have ever experienced. They talk about a profoundly deep level of satisfaction in professional life. Eventually they reflect on the fact that change has created new value and competitive advantage in their organizations. Before they get too excited, they realize that this is what they're called to do—again and again.

Summary

Key Points

- Change in the global age is making leadership a more dangerous calling than in the past. Global forces are creating relentless market disruption, shorter strategy cycles, and rapid obsolescence. This tumult creates a stream of adaptive challenges for the leader and increases the risk of personal and organizational failure.
- The fundamental challenge of a change leader is to summon and redirect institutional will and capacity. Furthermore, the basic role of any leader is to maintain competitive advantage, not the status quo.
- The accelerating pace of change has created a global literacy requirement for leaders. Leaders must scale their awareness to the global arena in order to understand macrolevel trends regardless of how distant, remote, or removed they may seem because those trends can threaten competitiveness at any time.
- External change will expose and exploit the leader who is not prepared to face adaptive challenge.
- The ability to lead change becomes more important as the speed and scope of external change increase.
- The EPIC methodology is a systems-level approach to leading change based on the concept of creating and replenishing organizational energy along the power curve. The stages of the change process are evaluation, preparation, implementation, and consolidation.