

THE MARK TWAIN DILEMMA: THE THEORY AND PRACTICE OF CHANGE LEADERSHIP

The best time to change a company is when it's successful, but that's also the time when resistance to change is at its highest.

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HUMORIST AND SOCIAL CRITIC MARK TWAIN LIVED THROUGH many of the most profound transformations in American history, from the Civil War to the settling of the West and the advent of industrialization. He once summed up his feelings about it in typically pithy fashion: “You know, I’m all for progress. It’s change I object to.”

Twain was speaking for us all. However much we recognize the need for progress and appreciate the benefits it brings, we dislike change. Change hurts—even beneficial change. It’s certainly true on a personal level. It’s wonderful to fall in love, but adjusting to the responsibilities of married life can be painful. It makes us proud to watch our kids grow up, but when they move away and start lives of their own, it’s hard to get used to the emptiness and silence around the house.

The same truth—what we might call The Mark Twain Dilemma—applies on an organizational level. We all recognize that the companies we work for must change, adjust, innovate, grow, and adapt. Yet the dislocations caused by organizational change are painful. Having led several companies through major change initiatives, and counseled the leaders of many other companies undergoing similar changes, I can personally attest to the risks and rewards entailed—and the enormous importance of getting change right.

The Organizational Life-Cycle and the Second Curve

As it happens, the nature of the organizational life cycle serves to intensify The Mark Twain Dilemma.



All life, including the metaphorical “life” of any organization, tends to be self-limiting. Generally, a period of growth is followed by deepening maturity, decline, and then death. As the prolific and insightful management thinker Charles Handy has noted, this pattern is illustrated by the so-called sigmoid curve. (The word “sigmoid” is derived from the Greek word *sigmoides*, and it simply means “s-shaped.”) Most organizations flourish, grow, and die according to the sigmoid pattern.

Excellent companies, however, behave differently. Rather than dying when the force of their initial growth momentum

fades, excellent companies find ways to launch themselves onto a second curve, and the very best ride a series of such curves. Consider Disney, which has evolved its business from simple black-and-white cartoons about a mouse to all sorts of family entertainment-related products—movies, books, theme parks, real estate development, cruise ships, and education, to name a few.

Figure 1 illustrates how the sigmoid curve can serve as a launching pad for a second curve. The hatched area shows the critical time for change. Research shows that the best time for a company to change is while it is still successful (soon after Point A). Conversely, the worst time to change is while a company has already begun to fail (Point B). There are exceptions—occasional companies like Harley Davidson or Apple that have faced near-death and recovered. But such stories are rare, and counting on miracles is no way to run a business.

Here is the paradox that intensifies the challenge of The Mark Twain Dilemma. When a company is successful, the best people want to work there, its profits are high, its stockholders are happy, and its market share seems secure. In such a company, the need for change is not felt; in fact, there is a strong *resistance* to

change. However, when profits are falling, talented people are leaving, and the company’s stock is being dumped; the support for change is high, but the probability of success is very low. Therefore, as a business leader, your job is to find ways to guide your people into and through successful change *at the very time when their resistance is greatest*.

The FUD Factor

For many people, the specter of change produces what’s sometimes called the FUD Factor—Fear, Uncertainty and Doubt. The psychology works like this:

■ To change is to suffer loss of several kinds. We lose certainty, the comfort of the known and the familiar. We lose the sense of competency, the financial security, and the status we enjoy in the existing order. And when change is being imposed upon us (as is often the case in a corporate setting), we lose the sense of control.

■ Because change involves loss, people must be persuaded that the gains will be greater than the losses if they are to embrace change.

■ To succeed, therefore, the driving forces in support of change must be greater than the restraining forces of Fear, Uncertainty, and Doubt.

Because of the FUD Factor, managing large-scale change calls for people skills of the highest order. The key is to shift both the organizational and human dynamics of your company so as to transform people's natural resistance to change (a negative) into active support of change (a positive).

The great leaders of change are those who transform resistance into support by understanding and following six golden rules for success.

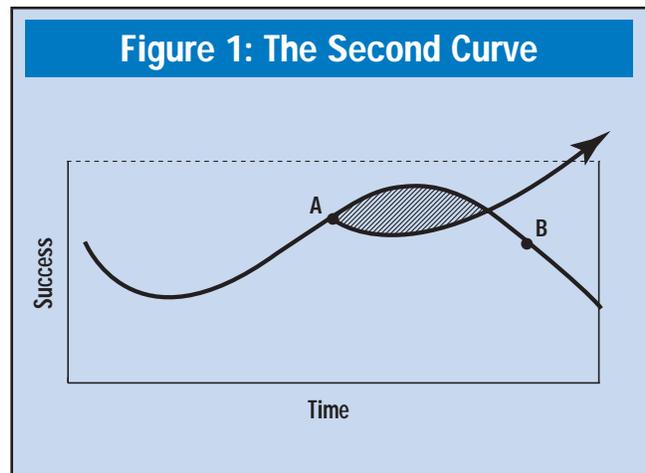
Rule 1. Create a simple, compelling statement of the case for change.

The essential starting point is a corporate strategy that is based on clear, cogent logic, is rooted in the realities of your marketplace, and represents a compelling case for change. If this is lacking, then you face an even more fundamental problem than change leadership, one that is beyond the scope of this article. But assuming that a sound plan for strategic change is in place, the role of the change leader is to explain *what* the change will be as well as *why* the change is necessary, combining these two elements so as to reveal the problems in the current state and invite people to join with you in creating a new and better future.

Simplicity and clarity of vision are crucial here. Dan Denison, formerly a professor at the University of Michigan business school and now at IMD in Lausanne, Switzerland,

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has conducted extensive research examining the various components of corporate culture to determine which factors contribute most directly to outstanding financial performance. Denison's findings? Clarity of purpose—what Denison calls “mission”—is the single factor that most strongly correlates with superior financial performance, while lack of such clarity correlates most strongly with poor financial performance. Thus, it isn't only our gut instincts that attest to the importance of communicating a clear and



simple vision. Hard evidence points to the same conclusion. So does real-life business experience.

The power of simplicity. I spent time in Poland shortly after the fall of Communism, coaching the leaders of the recently privatized Brzeg margarine company about such unfamiliar business concepts as profit and loss, return on assets, and cash flow. This was a level of change more profound and wrenching than any experienced by most Western business leaders.

In describing what Brzeg must do to thrive in this new world of business competition, I explained the importance of building a strong brand. We talked about brand strategy, marketing and advertising, pricing and promotion—a complex picture with many variables, all presented through English-Polish translators. It was a communications challenge, to say the least.

It soon became clear that, although the Brzeg managers understood each individual topic, they were struggling to tie all the elements together. We needed a unifying theme to convey a message that was absolutely clear, compelling, and concise. We came up with this formula: “A great brand equals a great company.” In other words, the destiny of Brzeg would depend on the strength of its brand.

When they heard this, the faces of the Brzeg executives lit up—here, finally, was something they could understand. This maxim facilitated our discussions in the days that followed. A hundred corollaries tied into it, each opening up an important topic for exploration: “A great brand generates great profits for shareholders,” “A great brand represents a promise of product quality,” “A great brand is supported by first-rate employees,” and so on. And the slogan provoked excellent questions: “What makes a brand great?” “What do customers expect from a great brand?” and so on.

Our simple maxim turned into a compelling call to action—not a complex set of principles but a single shining light that the Brzeg executives could rally around.

Miller's Rule of Five. The importance of simplicity also applies when you list your chief priorities for change—

those few things that make the biggest difference—on which you must focus relentlessly to be successful.

When defining priorities, it's important to pick only the top five. Avoid a laundry list of 10, 12, or 15 priorities. If you set any more than five priorities, the clarity of your message begins to get blurred, and its effectiveness becomes compromised.

"Why pick five?" people sometimes ask. George A. Miller's classic research on memory showed that most people can carry no more than four to seven ideas in their minds at once. Experience suggests that, for most of us, five is the maximum number. And Pietersen's Corollary to Miller's Rule is this: When the rule of five is violated, and the number of ideas swells past six toward 10, the result isn't merely diminishing returns—it's a total wipeout. Chances are good that people presented with 10 priorities will remember *none of them*.

Here's an easy way to make sure you follow Miller's Rule: When you get up before an audience to describe your change priorities, tick them off with the fingers of one hand—and keep the other hand buried in your pocket. That will help you resist the temptation to throw in two or three more priorities. Count to five—then stop.

Rule 2. Communicate constantly and honestly throughout the process.

Your statement of the logic for change should be repeated over and over, in many different ways and at every opportunity. In fact, your goal should be to try to *over-communicate* (which in actuality is impossible). The more you communicate the message, the more firmly it will become lodged in the consciousness (and even the unconscious awareness) of your people.

Above all, your communication about the issues of change must always be honest. Dishonesty or obfuscation only heightens the FUD factor. If your people believe that their leaders are trying to hide or disguise the truth, they will invent their own versions of events to fill in the knowledge gaps.

Honesty pays. The most powerful demonstration of the benefits of honesty I've ever witnessed came during a time of deeply traumatic change. In 1980, I was named President of Lever Brothers' Foods Division in the U.S., at a time when the company was losing a lot of money in its margarine business. Our production and distribution systems were a hopeless mess, and the company was drifting into a crisis. We had noticed a small competitor, Shedd's Food Products, which had a super-efficient "make-to-order" production and distribution system. If we could capture their economics, we could turn Lever Foods around.

We entered into a contract with Shedd's (a company we later bought), under which Shedd's agreed to produce and distribute our margarine direct to our retail customers. This eliminated our 13 costly distribution centers spread around

the country. It also meant that, after a six-month transition, we would have to close our margarine plant in Hammond, Indiana.

Hammond was a gritty and somewhat depressed community south of Chicago, and I was warned that closing our plant there was going to be difficult. There was much debate at company headquarters in New York over how to handle the closing. "Don't tell the workers anything until four weeks before we close the plant," many advised. "It's a rough crowd out there. If we tell them now, they'll be furi-

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ous, our efficiencies will drop through the floor, and our losses will get even worse."

But this advice ignored a crucial point. There was only one certainty, after all: The workers in Hammond *would* hear about our plan to close their plant. The question was, who would they hear it from? If they heard about it from someone other than us, our credibility would be shot, and the story would spread in garbled form, which would encourage rumors and deepen the mistrust. Thus, we concluded, it would be far better—however painful—for us to deliver the news ourselves, and to do it right away.

We immediately set about preparing for the closure. We created provisions for outplacement, retraining, and personal counseling, and instituted a bonus system for maintaining productivity. Within a week, we were ready to explain what we were doing.

Accompanied by Maarten Van Buren, our head of operations, I flew out to Hammond. At the plant I was given a hardhat to wear: "These guys have been known to throw things when they don't like what you're saying," Maarten said. When some 350 workers were assembled, I stood up and told them that I was there to speak as honestly as I could about the state of the business. "We need to close this plant in six months' time," I said. I admitted that I was nervous and hated telling them this. "But," I said, "We can't see any other way of saving the company." I outlined the severance package and bonus system, and I appealed to them to maintain productivity until the plant closure. Then I promised I'd return to Hammond once a month to discuss their progress and respond to their concerns.

To my surprise, there was applause after I had finished. I turned to Maarten and said, "What the hell is going on? This is the first time I've ever heard people applauding the news that they're out of a job!"

"I think they're applauding our honesty," he replied.

But here was the really big surprise: In the next six months, productivity at Hammond actually *increased* to its highest levels in five years. I asked a union leader there to explain it. He answered with one word: "Pride."

Honesty may not always yield such gratifying results. But the wise change leader will choose the path of honesty every time.

Rule 3. Maximize participation.

Leading change is not a one-person job. People will support that which they help to build. The academic research on this is clear, and I've seen it play out in reality over and over again in the course of my career.

In 1992, as president of Sterling Winthrop's Consumer Health business, I faced an interesting challenge. Our main product outside the U.S. was Panadol, a headache remedy sold in 64 countries in almost as many different kinds of packages. I wanted to turn this hodgepodge into a single, global brand. But there was stiff resistance from our regional managers around the world—a group of strong-willed “lions” who considered their autonomy a virtual right.

At a meeting of our worldwide team, I gave a talk about the power of global branding. I projected a slide of the Coca-Cola logo—but instead of using Coke's familiar colors and script, I used a random selection of different colors and fonts. “Imagine if Coke's packaging looked like this around the world,” I said. “Would you recognize this patchwork of labels as one brand?” My audience laughed.

I did the same for Kodak: instead of yellow and black, the Kodak logo was done in many different shades and sizes. Again I got a laugh.

Then I put up a slide of Panadol's actual packaging from around the world. It looked like a collage of 20 different designs done by 20 different ad agencies. Which is exactly what it was. This time there was an awkward silence. “This isn't a brand,” I said. “This looks like a collection of different products sharing the same name.” I was taking a risk, of course, hoping that these “shock tactics” would persuade my audience of the need for change.

“To remain competitive in an increasingly unified world,” I concluded, “Panadol needs to become a truly global brand.” We broke up the large meeting into several smaller groups, each charged with discussing how best to go about harmonizing Panadol's many images into a single global brand.

After about an hour, I was urgently called in to one of the groups. “We have a problem here,” I was told. “People are very upset. In fact, the atmosphere is explosive.” Sure enough, when I walked in, the tension was palpable. Some in the group were red-faced with anger and frustration. Others were clearly on the defensive, sitting stiff-legged with their arms crossed and their eyes averted.

I sat down and listened to the conversation for several minutes. What I heard surprised me. The sole theme was the traditional power of the company's regional managers, and the fact that this power was now—apparently—to be stripped away in favor of centralized control. The regional managers were using the breakout session to berate the

staffers from the New York home office, who had no idea how to respond.

I briefly visited each of the other breakout groups, and found the same dynamic at work. It was clear that a fast adjustment was needed to keep the entire effort from dying. I huddled with our human resources team, and quickly we reassembled the entire group.

I took the podium. “I've heard your discussions, and I sense resistance to the idea of globalizing Panadol.” (That was putting it mildly.) “I understand your feelings. You assume we will be stripping you of your powers and making all the harmonization decisions in New York. If I were a regional manager, I wouldn't like the idea myself.

“But the assumption is false. I'm asking *you* to come up with a globalization strategy. We'll appoint a team of regional managers to tackle the job. There'll be just one head-office person in the group to co-ordinate the overall effort. Otherwise, the task will be in your hands. We'll need to select a single global ad agency and package-design firm, but guiding their work will be your responsibility.”

A sense of relief flooded the room. The regional managers willingly undertook the task. We selected BBDO as the global ad agency and Landor Associates as the package-design firm. Within four months, the regional manager team came up with a plan for creating and implementing a global Panadol brand image.

The lesson is clear. If you develop a program for change and simply hand it to your people, saying, “Here, implement this,” it's unlikely to work. But when people help to build something, they will support it and make it work.

Rule 4. If all else fails, remove those who resist.

It is crucial to get the entire organization behind a change initiative. But you'll inevitably meet resistance. Occasionally, you will encounter one or more highly tenacious resisters; some will resist openly on principle, others will maneuver more secretly in pursuit their own political agendas. I refer to the latter as “smiling assassins.”

Dealing with unyielding resisters is a delicate leadership challenge, but it must be addressed. Don't forget: Everyone in the company is watching what happens; they want to see who will win—you or the resister. Your actions have great symbolic significance, and how you deal with resisters can determine the success of the entire change effort.

You should never simply descend from the sky and chop someone's head off. This can seem arbitrary and brutal, and there can be real collateral damage—your people may become afraid and risk-averse, which will ultimately hurt your business.

Before taking action, make sure that you *know* the person is a resister. Don't rely on hearsay—it's possible that you've misinterpreted their words, or they have misinterpreted yours. Sit down and have an honest talk.

When you do uncover an unrepentant resister, show both courage and compassion. Be firm, but fair. Give a reasonable warning, make sure there is a clear understanding between you, and set a timetable for change—no more than three months. If, after that time, he continues to resist, then you are justified in moving him to another job within the organization, or, in the most serious cases, in removing him from the company altogether.

Rule 5. Generate short-term wins.

Large-scale change can be a long, formidable undertaking, so it is important to create short-term wins. A number of early victories, even if they are small, create self-confidence and the belief that bigger successes are possible. This belief builds a psychological momentum that sustains the effort needed for large-scale, long-term change.

When Lever Foods began its turnaround (shortly after the acquisition of Shedd's), our list of priorities was simple: (1) Install Shedd's make-to-order system throughout Lever's American margarine operation; (2) improve product quality; and (3) institute brand-building strategies.

As we expected, once we began using Shedd's make-to-order system, it immediately improved our finances. Then we noticed a strange thing happening: All of the other aspects of our business system—R&D, selling, merchandising, advertising, and so on—began to improve as well. It was startling.

I called a meeting of my executive team. "There's something going on here I don't fully understand," I said. "Seemingly on its own, the business is firing on all cylinders. All of our key metrics are improving. What's going on here?"

The only answer we could come up with was that, spurred by our early victories, a collective belief that we could succeed had begun to emerge. And so we did.

Rule 6. Set a shining example.

This rule is the essence of leadership. Above all, it is what a leader *does* not what he *says* that communicates his true intent.

In his autobiography, General Norman Schwarzkopf of Gulf War fame describes a harrowing incident during his tour of duty in Vietnam that illustrates the unmatched power of a leader's example. A company of soldiers had become trapped in the midst of a minefield. Trying to find their way out, they were wandering through the field, trying desperately to avoid the mines. But one by one, they began detonating the mines, losing limbs in the process.

Alerted by radio, Schwarzkopf arrived on the scene by helicopter. One man, his leg badly injured, was apparently bleeding to death. He was thrashing on the ground and screaming for help, and his cries were helping to spread panic among the other soldiers. Schwarzkopf knew that if the men broke and ran, they'd be sure to set off the rest of the mines. No one would make it out alive.

Schwarzkopf had several options. He could have ordered one of his men to brave the minefield in an effort to rescue the wounded man. He could have asked for a volunteer. Instead, Schwarzkopf took responsibility himself. He ordered the soldiers to stay where they were lest they set off more mines. Then he began picking his way, inch by inch, through the minefield, studying the ground as he walked, gripping each leg to steady a trembling knee before taking a step. Schwarzkopf managed to make it to the injured soldier. He used the man's belt to lash his damaged leg in place, and he waited with him until a medical evacuation helicopter arrived and lifted him to safety. (The soldier survived.) Calmed by the leader's poise, the other soldiers remained in place until

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a unit of engineers with metal detectors could arrive and mark safe paths through the minefield.

Schwarzkopf demonstrated, by his personal example, the kind of calm, deliberate action needed to survive a situation of profound danger. As a result, an entire company of soldiers was infused with the same spirit. Although business leadership doesn't call for the same kind of physical heroism, it does demand a similar willingness to lead by example, even at risk to oneself.

Be positive. It is easy to get discouraged when things go wrong. And negative thinking is a virulent bug. As a leader, you must overwhelm negativity with the equally infectious bug of enthusiasm. I don't mean the kind of blustering enthusiasm that just generates heat; I mean genuine enthusiasm that generates light—the kind of enthusiasm that is based on a clear strategic focus and the confidence that your people can execute it.

If you can exemplify this kind of enthusiasm, you'll find it spreading, in a kind of positive contagion, to the people you work with. As a result, the odds of success for your change initiative will dramatically improve. Who knows? Some of the Mark Twains in your organization may even decide that change may be worthy of their embrace. ♦

Trained as a lawyer, Willie Pietersen went on to run multibillion-dollar divisions of several major global corporations, including Unilever, The Seagram Company, and Sterling Winthrop. He currently is Professor of the Practice of Management at the Columbia University Business School, serves as an advisor and consultant to many global companies, and is chairman of the Institute for the Future. Pietersen is the author of Reinventing Strategy: Using Strategic Learning to Create and Sustain Breakthrough Performance (Wiley, 2002).