Overcoming resistance to change

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EXECUTIVE SUMMARY

Complex implementations and change initiatives in organizations generally experience a high failure rate. This is because significant change always creates some level of uncertainty, uncertainty can lead to fear, and fear can generate significant resistance to the proposed change. Overcoming this opposition requires understanding the various layers of resistance that occur and how to promote ownership of the change initiative.
How many times have you had a good idea to improve some aspect of your organization? And when you begin to discuss it with a colleague or boss, the response is less than encouraging. “Well, I’m not sure that will work because...” or “Let me think about it and get back to you” – and they never do.

The problem is that all improvement initiatives require change. And significant change in organizations is difficult. In fact, research from McKinsey & Co. reveals that roughly 70 percent of all significant change initiatives in organizations fail. And despite the proliferation of studies, theories and change management programs, the success rate has not improved. Executives know that the cost of failure is not just the wasted time, money and lost opportunity. Failed change initiatives breed cynicism, kill motivation and trigger withdrawal from involvement in future efforts.

The real underlying issue is that significant change always involves uncertainty about how it will affect people. This uncertainty can lead to fear as people imagine real or perceived threats to their job status or security. And such fear often leads to resistance, sometimes fierce resistance, to the proposed change.

The nature of resistance

Experience indicates that resistance to change comes in waves or layers, each of which must be overcome sequentially. These layers of resistance fall into three broad categories that can be derived from the three basic questions of change embedded in the theory of constraints (TOC) first described by Eli Goldratt:

1. What to change (What is the problem that must be addressed?)
2. What to change to (What is the agreed upon solution to the problem?)
3. How to cause the change (How should the solution be implemented?)

The TOC approach suggests that addressing each question sequentially helps overcome resistance to change and achieves buy-in from all of the key players. There is no sense in developing a solution before the key players agree on the problem and no logic in discussing implementation before an agreement on the solution. In essence, the layers of resistance to change may be categorized as: Disagreement about the problem, disagreement about the solution and disagreement about the implementation.

To achieve the desired buy-in, these three broad layers of resistance must be resolved sequentially or peeled away, just as one might peel away the layers of an onion. This concept is illustrated in Figure 1.

Encouraging ownership — the key to buy-in

Since fear of change is a strong emotion, how do we counter this powerful force? With logic? Goldratt often mused that if you think you can overcome emotion with logic, you never have been married. So to proceed, you must overcome one strong emotion with another strong emotion.

Think about past projects. The person most excited about implementing the project was the one whose idea it was. Psychological ownership is critical to generating true enthusiasm and commitment to the project. Therefore, the ideal situation is that every key player gains some psychological ownership of the project. The result would be that instead of having people build brick walls to block the initiative, people will run through brick walls to implement it.

Unfortunately, such ownership among key players does not exist at a project’s initial stages. A prerequisite condition to cultivating the necessary ownership is that the initiator must be willing to share ownership. That means the initiator must encourage the other key players to participate in discovering

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Figure 1. Fundamental change often requires organizational leaders to peel away three broad layers of resistance just as they would peel away the layers of an onion.
the true nature of the problem, developing the actual solution and fleshing out the details of the implementation plan.

Even if the initiator thinks she has nailed the true problem, solution and implementation plan, there is much to be gained by following a Socratic approach. Under the initiator’s gentle guidance, the key players should discover for themselves the nature of the problem and help develop the solution. In this kind of process, it is likely that the others will offer insights that can lead to valid improvements. As the players become more involved in the analysis and the development of the solution, their level of ownership will increase. And their level of buy-in and commitment to the project’s success will increase accordingly.

Misfiring bonuses
To illustrate the layers of resistance, consider the following case study derived from a real-life situation involving a company with several hundred employees. Let’s call the company PCB, since it produces printed circuit boards.

The CEO is concerned about PCB’s recent performance. For many years, his company had been quite profitable. But in the last two years, profits have decreased to the point that the enterprise barely makes money. We’ll call undesirable effects “UDEs,” and low profitability is UDE 1. Two major sources of trouble are that the revenue flows from both new and mature products have been decreasing (UDE 2 and UDE 3). The CEO also knows that some major customers have switched to doing business with competitors (UDE 4), and new products are arriving late to the market (UDE 5).

At least the cost side of the company seems to be under control. Otherwise, the company could be deep in the red. The CEO credits a new company bonus plan that he implemented nearly three years ago with helping to keep costs in line and the company operating in the black, at least for now. Under the bonus policy, vice presidents received annual bonuses only if their specific departments (for example, sales and engineering) did not exceed their budgets. This policy change happened because, although the company was quite profitable, several departments habitually were over budget. The CEO reasoned that the company could reduce costs and increase profitability if he could motivate his vice presidents to keep their departments within their budgets.

The CEO is considering several proposals. One would implement a new information system to update processes and better link the company to its suppliers and customers. A second possibility is to implement a new production and inventory management system that promises to streamline the manufacturing process and gain better control over inventory.

What should the CEO do?

The seven layers of resistance
The three broad layers of resistance illustrated in Figure 1 give us the big picture perspective from 10,000 feet high. However, as shown in Figure 2, seven specific layers of resistance generally occur within the three broad categories. Each of these seven layers of resistance will be discussed in detail in relation to the PCB case. Note that the TOC literature includes a set of “thinking process tools” that help illustrate how to overcome the layers of resistance. However, that level of detail and complexity is beyond the scope of this article.

Layer 1: Disagreement that there is a problem

Layer 2: Disagreement about the nature of the problem

Layer 3: Disagreement about the general direction of the solution

Layer 4: Disagreement about the details of the solution

Layer 5: Yes, but the solution has negative side effects

Layer 6: Disagreement that the solution can be implemented successfully

Layer 7: Unspoken/unresolved reservations

There is much to be gained by following a Socratic approach.

People might be stuck in this layer for various reasons. They really might be unaware of any problems. Or they might accept the problems as part of a new reality that cannot be changed. Regardless, the approach is to step back and let them explain their perspective—and listen carefully to what they are saying. Once you fully understand their perspective, it will be easier to help them see the problems and opportunities that exist. It might be necessary to refer to the organization’s goal and discuss whether it is being met. Another option is to identify the
problems and relate them back to the failure to achieve the organization’s goal.

In the PCB case, the CEO clearly recognized the threat to the company and clearly relayed this message to the rest of the company. Every key player was keenly aware of the five UDEs:

1. PCB profitability is decreasing rapidly.
2. Revenue flow from new products is decreasing.
3. Revenue flow from mature products is decreasing.
4. Major customers have switched to our competitors.
5. New products are arriving late to the market.

Thus, at PCB, resistance layer 1 did not exist.

**Layer 2: Disagreement about the nature of the problem.** People are different. They have different training, background, experiences, responsibilities and agendas. So even when faced with a well-defined set of problems, it is reasonable to expect a wide variety of opinions about what should be changed. Thus, the second layer of resistance — disagreement about the nature of the problem — is quite common. And discussing potential solutions must be delayed until there is a consensus about the true nature of the problem.

Now let’s not confuse the identified problems (UDEs) with their cause(s). The problems are easy to identify, for example: low profitability, poor on-time delivery performance or technologically inferior products. But successfully addressing the problems requires identifying and addressing their underlying cause(s). This is much like a visit to the physician. The doctor needs to know your symptoms (UDEs) to identify the underlying cause of your illness. The recommended prescription treats the cause of your symptoms, not just the symptoms themselves.

In the language of TOC, the underlying cause is referred to as the “core problem.” The core problem is typically a policy, procedure, operating rule, measurement, behavior or culture that significantly contributes to a majority of the observed UDEs. The core problem is what must be changed. If you address the core problem, the observed UDEs will be improved or eliminated. If you do not address the core problem, the observed problems will not be remedied.

The core problem at PCB was, in fact, the bonus policy for vice presidents that had been implemented nearly three years earlier. The CEO conducted a cause-and-effect analysis with his key managers that clearly indicated his bonus policy had created a dilemma for the vice presidents. For example, to stay within the engineering department budget, the engineering vice president reduced the overall head count for design engineers. Several talented design engineers were hired away, and not all were replaced. The result was that some critical design tasks on some research and development projects were not completed on schedule. This caused a number of new products to be released late (UDE 5).

Similarly, to meet his annual budget, the sales vice president reduced the number of sales personnel. The remaining sales people could not cover their territories, and several key customers felt slighted and switched to PCB’s competitors (UDE 4). The ultimate effects were reduced sales revenue for both new and mature products (UDEs 2 and 3) and declining company profitability (UDE 1).

The CEO and his managers came to a consensus that the bonus policy was the core problem that had to be addressed. It encouraged some vice presidents to make decisions that were dysfunctional for the company. Since they did not address the core problem, the proposals for the new materials management system and information system were dropped.

**Layer 3: Disagreement about the direction of the solution.** Our complete solution eventually will include all of the changes necessary to address all of the identified UDEs. However, at this stage, our attention should be focused only on how to address the core problem. Layer 3 resistance is encountered when people in the organization have strong, differing ideas on how to address the core problem. When people strongly disagree, there is nothing to be gained by going into the details of each proposal. This might only entrench people in their own specific proposals.

In such cases, the recommended approach is to develop a consensus for the criteria that would define a good solution. Once the appropriate criteria are developed, the team can then evaluate proposals for resolving the core problem.

In the PCB case, the key question was whether the current bonus policy for executives should be modified in some way or simply eliminated. Given the cause-and-effect logic analysis that key executives already had conducted, there was unanimous agreement to revoke the bonus policy.

**Layer 4: Disagreement about the details of the solution.** This layer of resistance occurs because resolving the core problem usually is insufficient to address all of the observed problems (UDEs). Our objective at this point is to ensure that the set of proposed changes agreed upon will yield all of the desired outcomes that are missing from the current environment. The formal approach is to develop a complete list of desirable effects (DEs), which typically are defined as the opposites of the main undesirable effects. However, defining an opposite can be far from simple. For example, an opposite for “push” could be either “pull” or “do not push” — two entirely different things.

Once the list of DEs is determined, the task is to agree upon a set of changes that collectively are sufficient to achieve those DEs. Several different solution sets could achieve all of the desirable effects. However, when deciding between alternate solutions, one should keep in mind that every
change creates uncertainty and could cost money, time and create disruption. In most complex real-life environments, the number of identifiable changes that must be implemented to achieve a full set of desirable effects could reach double-digit numbers. We should give extra consideration to solutions that achieve the desired result with a minimum amount of change.

In the PCB case, the list of DEs could be stated as:

1. PCB profitability is increasing.
2. Revenue flow from new products is increasing.
3. Revenue flow from mature products is increasing.
4. We are winning major customers from our competitors.
5. New products are arriving on schedule to the market.

Clearly, the choice of wording will influence the exact nature of the changes required. For example, if we change the wording on DE 5 to “new products are arriving ‘early’ to the market,” then that would require more aggressive changes.

After lengthy discussions, the CEO and key managers decided on a set of changes that included, but was not limited to: Revising the budgetary process to incorporate flexible budgeting concepts; immediately hiring additional design engineers and sales people; and managing new product development projects using updated critical chain project management principles and software.

Layer 5: Yes, but the solution has negative side effects. Let’s revisit our physician analogy described in layer 2. Once the doctor has diagnosed the underlying cause of our illness, medication is prescribed to treat the underlying cause and eliminate the symptoms. However, medication can have undesirable side effects.

In organizations, significant change invariably is accompanied by negative side effects. So once we have navigated through the fourth layer of resistance and developed a solution, we must consider what negative side effects the specific changes might create. Resistance in this layer is typified by statements such as, “This looks like a great solution, but do you realize that implementing this change will cause the following problem(s): ...?” This is a critical point because if any key players believe that the proposed solution will cause damage that affects them, there is little chance they will buy in to that solution.

Initiators usually spend a considerable amount of time and energy to resolve issues at this stage. The key here is that we proactively address potential problems before they occur. For each potential negative effect, the team must decide whether: We should implement one or more additional changes to prevent the negative from occurring; we should modify the original change(s) that caused the negative effects; we can live with the negative side effect; or the negative side effect is so bad and unavoidable that we must scrap the proposal and develop a new solution.

In the PCB case, one negative side effect was that the newly hired design engineers would not be up to speed on the appropriate technology and would not be able to complete assigned tasks in a timely manner. As a result, PCB initiated a mentoring program to help alleviate this problem.

Layer 6: Disagreement that the solution can be implemented successfully. Once everyone accepts the final solution, our focus turns to implementation issues. At this stage we likely will encounter arguments like, “This is a fine solution, but we are going to have trouble implementing it because ...” The basic problem here is a belief that the solution is not practical because significant obstacles will block implementation. And the larger and more complex the proposed solution, the more obstacles will exist.

A recommended approach is to treat the implementation as a project and develop the appropriate network diagram of key activities or milestones.

Then determine the obstacles to achieving each milestone and develop a plan to overcome each obstacle. Like the approach described in the previous section, this proactive method is designed to identify potential obstacles and establish plans to resolve them before they occur.

At PCB, one proposed change would manage new product development projects using critical chain project management principles and software. An obstacle to implementation was that no one in the organization was trained fully on the principles and software. The solution was to send someone to receive the necessary training.

Layer 7: Unspoken/unresolved reservations. When leaders yell “Charge!” and “Follow me!” they expect everyone to obey. Unresolved reservations could cause people to balk, and the entire change initiative will be in danger. So the initiator must be sure that no issues remain unresolved and everyone is fully on board.

One way to help ensure full cooperation and follow through is to make sure the implementation plan derived in layer 6 is detailed sufficiently so that items such as schedules, responsibilities, resources and budgets are specified clearly – and each individual involved fully agrees with the plan. Any obvious gaps in the plan should be filled in and any remaining reservations resolved before proceeding.

Conclusion

Overcoming resistance to change should be viewed as a process that requires the various layers of resistance to be resolved in a logical sequence. In complex change initiatives, it is likely that most or all of the described layers of resistance will be encountered. If these layers of resistance are not dealt with systematically and completely, the entire initiative will be at risk.