Conventional change management approaches have done little to change the fact that most change programs fail. The odds can be greatly improved by a number of counterintuitive insights that take into account the irrational but predictable nature of how employees interpret their environment and choose to act.

The Inconvenient Truth About Change Management

Why it isn’t working and what to do about it

by Scott Keller and Carolyn Aiken

McKinsey&Company
The Inconvenient Truth About Change Management

Why it isn’t working and what to do about it

The Idea in Brief

In 1995, John Kotter published research that revealed only 30 percent of change programs are successful. Fast forward to 2008. A recent McKinsey & Company survey of business executives indicates that the percent of change programs that are a success today is... still 30%. The field of change management, it would seem, hasn’t changed a thing.

Digging deeper into why change programs fail reveals that the vast majority stumble on precisely the thing they are trying to transform: employee attitudes and management behavior. Conventional change management prescribes addressing these behavioral and attitudinal changes by putting in place four basic conditions: a) a compelling story, b) role modeling, c) reinforcement systems, and d) the skills required for change.

These prescriptions are well grounded in psychological research and make good common sense – which, we believe, is precisely where things fall apart. The inconvenient truth of human nature is that people are irrational in a number of predictable ways. The prescription is right, but rational managers who attempt to put the four conditions in place by applying their ‘common sense’ intuition typically misdirect time and energy, create messages that miss the mark, and experience frustrating unintended consequences.

In the same way that the field of economics has been transformed by an understanding of uniquely human social, cognitive and emotional biases, so too the practice of change management is in need of a transformation through an improved understanding of the irrational (and often unconscious) nature of how humans interpret their environment and choose to act.

The Idea in Practice

A) CREATING A COMPPELLING STORY

#1: What motivates you doesn’t motivate (most of) your employees. Research confirms that there are at least five sources of meaning for humans at work: impact on society, the customer, the company/shareholder, the working team, and “me” personally. What’s more, workforces are evenly split as to which of these is a primary motivator. “Telling five stories at once” is the key to unleashing maximum energy for change.

#2: You’re better off letting them write their own story. Research indicates that when employees choose for themselves (versus “being told”), they are more committed to the outcome by a factor of almost five to one. Time communicating the message should be dramatically rebalanced towards listening versus telling.

#3: It takes both “+” and “–” to create real energy. Deficit-based approaches (“solve the problem”) to change can create unproductive fatigue and resistance. Constructionist-based approaches (“capture the opportunity”) generate more excitement and enthusiasm, but lead to risk-averse solutions. By moving beyond this dichotomy and pursing both approaches simultaneously, managers can neutralize these downsides and maximize impact in mobilizing the organization.

B) ROLE MODELING

#4: Your leaders believe they already “are the change.” Most executives have the will and skill to role model, but don’t actually know “what” they should change due to their self-serving biases (if they didn’t think what they were doing was right, they wouldn’t be doing it). Smart use of concrete 360-degree behavioral feedback can break through this barrier.

#5: Influence leaders aren’t that influential. It is not enough to invest in a few rather than in many as a way of catalyzing desired changes, no matter how appealing the idea is. New research shows social “contagions” depend less on the persuasiveness of “early adopters” and more on how receptive the “society” is to the idea. While influence leaders are important, we warn against overinvesting in them – your effort is better spent elsewhere.

C) REINFORCING MECHANISMS

#6: Money is the most expensive way to motivate people. A change program’s objectives should be linked to employee compensation to avoid sending mixed messages. Little upside is gained, however, due to a number of practical considerations. There is a better, and less costly, way.

Small, unexpected rewards have disproportionate effects on employees’ motivation during change programs.

#7: A fair process is as important as a fair outcome. Employees will go against their own self-interest if the situation violates other notions they have about fairness and justice. Careful attention should be paid to achieve a fair process and fair outcomes in making changes to company structures, processes, systems and incentives.

D) CAPABILITY BUILDING

#8: Employees are what they think. Behaviors drive performance. Mindsets (the thoughts, feelings and beliefs held by employees) drive behaviors. Capability building should focus on technical skills as well as shifting underlying mindsets that enable the technical skills to be used to their fullest.

#9: Good intentions aren’t enough. Even with good intentions, it is unlikely employees will apply new skills and mindsets unless the barriers to practice are lowered. The odds can be improved by using “field and forum” approaches linked to trainees’ day-to-day accountabilities reinforced by quantifiable, outcome-based hurdles along the way.

Show me the money!

Where we have tested these inconvenient truths in practice versus more rational, conventional approaches to influencing behavior we have found they achieve significant positive results. For example, in 18-month longitudinal studies using control and experimental group methodologies we achieved a 19 percent lift in profit per banker versus 8 percent and a 65 percent reduction in call center customer churn versus 35 percent with conventional approaches alone.
Conventional change management approaches have done little to change the fact that most change programs fail. The odds can be greatly improved by a number of counterintuitive insights that take into account the irrational but predictable nature of how employees interpret their environment and choose to act.

The Inconvenient Truth About Change Management

Why it isn’t working and what to do about it

In 1995, John Kotter published what many consider to be the seminal work in the field of change management, Leading Change: Why Transformation Efforts Fail. Kotter’s “call to action” cited research that suggested only 30 percent of change programs are successful. His work then goes on to answer the question posed in its title and to prescribe what it takes to improve this success rate.

Kotter is perhaps the most famous purveyor of change management wisdom, but in fact he is one of many who have a point of view regarding how managers and companies can best manage change. In the last two decades, literally thousands of books and journal articles have been published on the topic. Today, there are more than 1,800 books available on Amazon.com under the category of “Organizational Change.”

The facts suggest otherwise. McKinsey & Company recently surveyed 1,546 business executives from around the world, asking them if they consider their change programs “completely/mostly” successful: only 30 percent agreed. Further investigation into a number of similar studies over the last 10 years reveals remarkably similar results. The field of change management, it would seem, hasn’t really changed a thing.

This failure to live up to its promise is why many senior executives today recoil at the mere mention of the words ‘change management’. Memories come flooding back of significant time and effort invested in “the soft stuff” that, in the end, yielded little tangible value.

The focus of McKinsey’s applied research over the last four years has been to understand why change management efforts consistently fail to have the desired impact and, most importantly, what to do about it. At this point in our research we don’t claim to have all the answers. We have, however, developed and tested a set of perspectives in real-life application that senior managers have found genuinely insightful and that have consistently delivered business results far beyond expectations.
SUCCESSFUL CHANGE REQUIRES UNCOMMON SENSE

Digging deeper into why change programs fail reveals that the vast majority stumble on precisely the thing they are trying to transform: employee attitudes and management behavior (versus other possible sources such inadequate budget, poorly deployed resources and poor change architecture).6

Literally thousands of prescriptions are put forward in various change management publications regarding how to influence employee attitudes and management behavior. However, the vast majority of the thinking is remarkably similar. Colin Price and Emily Lawson provided a holistic perspective in their 2003 article, *The Psychology of Change Management*, that suggests that four basic conditions have to be met before employees will change their behavior:7

A. **A compelling story:** They must see the point of the change and agree with it, at least enough to give it a try

B. **Role modeling:** They must also see colleagues they admire modeling the desired behavior

C. **Reinforcement systems:** Surrounding structures, systems, processes and incentives must be in tune with the new behavior

D. **The skills required for change:** They need to have the skills to do what is required of them.

This prescription is well grounded in the field of psychology and is entirely rational. Putting all four of these conditions in place as a part of a dynamic process greatly improves the chances of bringing about lasting changes in the mindsets and behaviors of people in an organization—and thus achieves sustained improvements in business performance.

One of the merits of the approach above is its intuitive appeal, so much so that many managers feel that, once revealed, it is simply good common sense. And this, we believe, is precisely where things fall apart. The prescription is right, but rational managers who attempt to put the four conditions in place by applying their “common sense” intuition typically misdirect time and energy, create messages that miss the mark, and experience frustrating unintended consequences from their efforts to influence change.

Why? In implementing the prescription, they disregard a scientific truth of human nature: people are irrational in many predictable ways. The scientific study of human irrationality has shown that many of our instincts related to understanding and influencing our own and others’ motivations push us towards failure instead of success. We systematically fall victim to subconscious thought processes that significantly influence our behavior, even though our rational minds tell us they shouldn’t. How many of us drive around looking for a close parking place to “save time” for longer than it would have taken to walk from the available parking spaces? How about falling into the trap of spending $3,000 to upgrade to leather seats when we buy a new $25,000 car, but finding it difficult to spend the same amount on a new leather sofa (even though we know we will spend more time on the sofa than in the car)? Are you willing to take a pencil home from work for your children to use, but are not willing to raid the company’s petty cash box for the money to buy a pencil for the same purpose? These examples point to how all of us are susceptible to irrationality when it comes to decision making.8
humans interpret their environment and choose to act.

In what follows we will describe a number of counterintuitive insights regarding human irrationality and implications for putting the four conditions for behavior change into place. We will also offer practical—if inconvenient—advice (as it calls for investing time and effort in areas that your rational mind will tell you shouldn’t matter as much as they do) on how to improve the odds of leading successful change. We illustrate these approaches through concrete examples of how various companies have, either by conscious awareness, intuition, or simple luck, leveraged predictable employee irrationality to great effect in making change happen.

Dealing with the human side of change is not easy. As Nobel Laureate Murray Gell-Mann once said, “Think how hard physics would be if particles could think.” All told, we don’t expect our advice to make your life as a change leader any easier. We are convinced, however, it will have more impact.

A. THE INCONVENIENT TRUTH ABOUT CREATING A COMPELLING STORY

Change management thinking extols the virtues of creating a compelling change story, communicating it to employees and following it up with ongoing communications and involvement. This prescription makes sense, but in practice three inconvenient truths often get in the way of this approach achieving the desired impact.

Inconvenient Truth #1: What motivates you doesn’t motivate (most of) your employees

We see two types of change stories consistently told in organizations. The first is the “good to great” story along the lines of “Our historical advantage has been eroded by intense competition and changing customer needs; if we change, we can regain our leadership position once again, becoming the undisputed industry leader for the foreseeable future and leaving the competition in the dust.” The second is the turnaround story along the lines of, “We’re performing below industry standard and must change dramatically to survive; incremental change is not sufficient—investors will not continue to put money into an underperforming company. We are capable of far more based on our assets, market position, size, skills and loyal staff. We can become a top-quartile performer in our industry by exploiting our current assets and earning the right to grow.”

These stories both seem rational, yet they too often fail to have the impact that change leaders desire. Research by a number of leading thinkers in the social sciences, such as Danah Zohar, Chris Cowen, Don Beck and Richard Barrett, has shown that stories of this nature will create significant energy for change in only about 20 percent of your workforce. Why? The stories above all center on the company—beating the competition, industry leadership, share price targets, etc.—when in fact research shows that there are at least four other sources of meaning and motivation that can be tapped into to create energy for change. These include impact on society (e.g., making a better society, building the community, stewarding resources), impact on the customer (e.g., making it easier, superior service, better quality product), impact on the working team (e.g., sense of belonging, caring environment, working together efficiently and effectively), and impact on “me” personally (my development, paycheck/bonus, empowerment to act).

The inconvenient truth about this research is that in surveys of hundreds of thousands of employees to discover which of these five (society, customer, company/shareholder, working team, “me” personally) sources of meaning most motivates them, the result is a consistently even 20 percent split across all dimensions. Regardless of level (senior management to the frontline), industry (healthcare to manufacturing), or
The Inconvenient Truth About Change Management

geography (developed or developing economies), the results do not significantly differ.

This finding has profound implications for leaders. What the leader cares about (and typically bases at least 80 percent of his or her message to others on) does not tap into roughly 80 percent of the workforce’s primary motivators for putting extra energy into the change program. Those people leading change should be able to tell “five stories at once” and in doing so unleash tremendous amounts of organizational energy that would otherwise remain latent in the organization.

By way of practical example, consider a cost-reduction program at a large U.S. financial services company. The program was embarked on with a rational change story that “ticked all the boxes” of conventional change management wisdom. Three months into the program, management was frustrated with the employee resistance inhibiting impact. The team worked together to re-cast the “story” around the cost program to include an element related to society (to deliver “affordable housing”: we must be most affordable in our services), customers (increased simplicity, flexibility, fewer errors, more competitive prices), the company (expenses are growing faster than revenues, which is not sustainable), working teams (less duplication, more delegation, increased accountability, faster pace), and individuals (bigger, more attractive jobs created: a great opportunity to “make your own” institution).

This relatively simple shift in approach lifted employee motivation measures from 35.4 percent to 57.1 percent in a month, and the program went on to achieve 10 percent efficiency improvements in the first year—a run rate far above initial expectations.

Inconvenient Truth #2: You’re better off letting them write their own story

Well-intentioned leaders invest significant time in communicating their change story. Roadshows, town halls, magazines, screen-savers and websites are but a few of the many approaches typically used to tell the story. Certainly the story (told in five ways!) needs to get out there, but the inconvenient truth is that much of the energy invested in communicating it would be better spent listening, not telling.

In a famous experiment, researchers ran a lottery with a twist. Half the participants were randomly assigned a lottery ticket. The remaining half were given a blank piece of paper and a pen and asked to write down any number they would like as their lottery number. Just before drawing the winning number, the researchers offered to buy back the tickets from their holders. The question researchers wanted to answer is, “How much more do you have to pay someone who wrote their own number versus someone who was handed a number randomly?” The rational answer would be that there is no difference (given a lottery is pure chance and therefore every ticket number, chosen or assigned, should have the same value). A more savvy answer would be that you would have to pay less (given the possibility of duplicate numbers in the population who write their own number). The real answer? No matter what geography or demographic the experiment has taken place in, researchers have always found that they have to pay at least five times more to those who wrote their own number.

This result reveals an inconvenient truth about human nature: When we choose for ourselves, we are far more committed to the outcome (almost by a factor of five to one). Conventional approaches to change management underestimate this impact. The rational thinker sees it as a waste of time to let others self-discover what he or she already knows—why not just tell them and be done with it? Unfortunately this approach steals from others the energy needed to drive change that comes through a sense of ownership of “the answer”.

**When we choose for ourselves, we are far more committed to the outcome (almost by a factor of five to one).**

Consider another practical example in Barclays’ Personal Financial Services CEO, David Roberts, who employed a fairly literal interpretation of the above finding. He wrote his change story in full prose, in a way that he found meaningful. He then shared it with his team, getting feedback on what resonated and what needed further clarification. He then asked each of his team members to “write
their own lottery ticket”: what was the change story for them, in their business, that supports the bigger PFS-wide change story? His team members wrote their change story, again in full prose, and shared it with their teams. Their teams gave feedback and then wrote their own story for their area/department, and so the process continued all the way to the frontline. It took twice as long as the traditional roadshow approach, but for a five-times return on commitment to the program, it was the right investment to make.12

Sam Palmisano, current CEO of IBM, in spearheading a change effort to move IBM towards a values-based management system, enabled thousands of employees to “write their own lottery ticket” regarding IBM’s values. During a three-day, online discussion forum (dubbed ValuesJam), over 50,000 employees were empowered literally to rewrite IBM’s century-old values.13

Other applications need not be so literal. At a global consumer goods company the CEO brought together his top 300 for three two-day “real work” sessions over three months where they created the story together. Again, this invested significant time, but having the top 300 five-times committed to the way forward was considered well worth the investment. At BP, to develop a comprehensive training program for frontline leaders, a decision was made to involve every key constituency in the design of the program, giving them a sense of “writing their own lottery ticket.” It took a year and a half to complete the design using this model, but was well worth it. Now in implementation, the program is the highest rated of its kind in BP. It involves more than 250 active senior managers from across the businesses willingly teaching the course, and, most importantly, has resulted in managers who have been through the training program being consistently ranked higher in performance than those who haven’t, both by their bosses and by the employees who report to them.14

At a minimum, we advocate that leaders leverage the “lottery ticket” insight by augmenting their telling of the story with asking about the story. Consider David Farr, CEO of Emerson Electric, who is noted for asking four questions related to his company’s story of virtually everyone he encounters in the organization: 1) how do you make a difference? (testing for alignment on the company’s direction); 2) what improvement idea are you working on? (emphasizing continuous improvement); 3) when did you last get coaching from your boss? (emphasizing the importance of people development); and 4) who is the enemy? (emphasizing the importance of “One Emerson”/no silos, i.e., he wanted to emphasize the “right” answer was the competition and not some other department!).

On a final note, many executives are surprised not only by the ownership and drive for implementation that comes from high-involvement approaches, but also by the improved quality of the answers that emerge. As one CEO told us, “I was surprised how people stepped up during the direction-setting process – I was worried about everything getting ‘dumbed down,’ but in the end we got a better answer because of the broad involvement.”

Inconvenient Truth #3: It takes both “+” and “–” to create real energy

In 210 B.C., a Chinese commander named Xiang Yu led his troops across the Yangtze River to attack the army of the Qin (Ch’in) dynasty. Camped for the night on the banks of the river, his troops awakened to find their ships on fire. They rushed to the boats ready to take on their attackers, only to find that it was Xiang Yu himself who had set their ships ablaze. Not only that, but he had also ordered all the cooking pots crushed. Xiang Yu’s logic was that without the pots and the ships, they had no other choice but to fight their way to victory or die trying. In doing so he created tremendous focus in his troops, who battled ferociously against the enemy and won nine consecutive battles, obliterating the main-force units of the Qin dynasty.

The above story is perhaps the ultimate example of creating a “burning platform” to motivate action—a message that says “We’ve got a problem, we have to change!” This model is often referred to as a deficit-based approach to change. It identifies the problem (what is the need?), analyzes causes (what is wrong here?) and possible solutions (how can we fix it?), and then plans and takes actions (problem solved!). Advocates of this approach point out that its
linear logic and approach to dissecting things to understand them is at the heart of all the scientific progress made by Western civilization. They also cite examples like that of Xiang Yu, where it has a profound effect. Given the case for the deficit-based approach, it has become the model predominantly taught in business schools and is presumably the default change model in most organizations. At success rates of 30%, however, the vast majority of change leaders are not enjoying the same success as Xiang Yu did. Why is this?

Research has shown that a relentless focus on “what’s wrong” is not sustainable, invokes blame and creates fatigue and resistance, doing little to engage people’s passion and experience, and highlight their success. This has led to the rise of what many refer to as the constructionist-based approach to change. In this approach the change process is based on discovery (discovering the best of what is), dreaming (imagining what might be), designing (talking about what should be) and destiny (creating what will be).15

Consider a study done at the University of Wisconsin where two bowling teams were recorded on video over a number of games. Each team received a video to study. One team’s video showed only those occasions when it made mistakes. The other’s showed only those occasions when it performed well. The other’s showed only those occasions when it performed well. The team that studied its successes improved its score twice as much as the other team. The conclusion is that choosing the positive as the focus of inquiry and storytelling is the best answer for creating change.16 Whereas the deficit-based change approach is well suited for technical systems, research into the constructionist-based approach shows that in human systems a focus on “what’s right” can achieve improved results. So should enlightened change leaders shift their focus exclusively to capturing opportunities and building on strengths instead of identifying and solving problems? We think not.

Humans are more risk averse when choosing among options framed as “gains” than when they choose among those framed as “losses.” For example, what would you do if given the choice between a sure gain of $100 and a 50 percent chance of gaining $200? Social science experiments show that most individuals are risk averse and take the gain. What would you do if given the choice between a sure loss of $100 or a 50 percent chance of losing $200? If you are like most individuals, you are risk seeking in this case and choose a 50 percent chance of losing $200.17 A single-minded focus on “what’s possible,” with its bias towards more conservative choices, flies in the face of achieving radical change. The reason for this is that, as humans, we inherently dislike losses more than we like gains.18

The inconvenient truth is that both the deficit-based and constructionist approaches to change have their merits and limitations. It is clear that a single-minded focus on today’s problems creates more fatigue and resistance than envisioning a positive future. But it is also clear that when it comes to behavioral change some anxiety is good, and that an over-emphasis on the positive can lead to watered-down aspirations and impact.

We believe the field of change management has drawn an artificial divide between deficit-based and constructionist-based approaches. The best answer is an “and” answer. While it is impossible to prescribe generally how the divide should be split between positive and negative messages, as this will be specific to the context of any given change program, we strongly advise managers not to “swing the pendulum” too far in one direction or another. Consider Jack Welch at GE, who took questions of “what’s wrong here?” (poor-performing businesses, impending bankruptcy, silo-driven behaviors, bureaucracy, etc.) head on, as well as “imagining what might be” (number one or two in every business, a “boundaryless” culture of quality, openness, accountability, etc.).

Revisiting the University of Wisconsin bowling team experiment mentioned above, we suspect that a team that studied its successes and mistakes would outperform teams that studied only either/or.
B. THE INCONVENIENT TRUTH ABOUT ROLE MODELING

Conventional change management suggests leaders should take actions that role model the desired change and mobilize a group of influence leaders to drive change deep into the organization. Unfortunately, this prescription rarely delivers the desired impact because it neglects two more inconvenient truths about change management.

Inconvenient Truth #4: Your leaders believe they already “are the change”

Most senior executives understand and generally buy into Ghandi’s famous aphorism, “Be the change you want to see in the world.” They, often prompted by HR professionals or consultants, commit themselves to “being the change” by personally role modeling the desired behaviors. And then, in practice, nothing significant changes.

The reason for this is that most executives don't see themselves as “part of the problem,” and therefore deep down do not believe that it is they who need to change, even though in principle they agree that leaders must role model the desired changes. Take for example a team that reports that, as a group and as an organization, they are low in trust, not customer-focused and bureaucratic. How many executives when asked privately will say “no” to the questions, “Do you consider yourself to be trustworthy?” and “Are you customer focused?” and “yes” to the question “Are you a bureaucrat?” Of course, none.

The fact is that most well-intentioned and hard-working people believe they are doing the right thing, or they wouldn’t be doing it. However, most people also have an unwarranted optimism in relation to their own behavior. Typically, insight into “what” to change can be created by concrete 360-degree feedback techniques, either via surveys, conversations or both. This 360-degree feedback should not be against generic HR leadership competency models, but instead against the specific behaviors related to the desired changes that will drive business performance. This style of feedback can be augmented by fact gathering such as third-party observation of senior executives going about their day-to-day work (e.g., “You say you are not bureaucratic, but every meeting you are in creates three additional meetings and no decisions are made”) and calendar analyses (e.g., “You say you are customer focused but have spent 5 percent of your time reviewing customer-related data and no time meeting with customers or customer-facing employees”).

Consider Amgen CEO Kevin Sharer’s approach of asking each of his top 75, “What should I do differently?” and sharing his development needs and commitment publicly with them. Consider the top team of a national insurance company who routinely employed what they called the “circle of fire” during their change program: Every participant receives feedback live in the room, directly from their colleagues on “What makes you great?” in relation to “being the change” and consistently think they are better than they are—a phenomenon referred to in psychology as a “self-serving bias.” Whereas conventional change management approaches surmise that top team role modeling is a matter of will (“wanting to change”) or skill (“knowing how to change”), the inconvenient truth is that the real bottleneck to role modeling is knowing “what” to change at a personal level.
"What makes you small?" Consider the leadership coalition (top 25) of a multi-regional bank who, after each major event in their change program, conducted a short, targeted 360-degree feedback survey regarding how well their behaviors role modeled the desired behaviors during the event, ensuring that feedback was timely, relevant and practical.

While seemingly inconvenient, these types of techniques help break through the "self-serving bias" that inhibits well-meaning leaders from making a profound difference through their actions to the ultimate impact of the change program.

Note that some readers may be thinking, "But surely there are a few people who are fully role modeling the desired behaviors—what does this mean for them?" If the purpose of senior executive role modeling is to exhibit the behaviors required that ensure the success and sustainability of the change program (e.g., collaboration, agility in decision making, empowerment), then the answer is "keep up the good work!" If the answer, however, is expanded to include role modeling the process of personal behavioral change itself, there is more to do. Recall that Gandhi also said famously, "For things to change, first I must change."

We often cite Tiger Woods' reaction to his astonishing, 18-below-par victory in the Masters tournament in 1997: he chose to rebuild his swing. As he practiced many of its 270 elements, he endured a period of awkward performance. The press deemed him a one-Masters wonder. Four years later, he won the world’s four major golf tournaments in one year, an unprecedented accomplishment. At one point, Woods' lead over the second-ranked player was larger than the gap between No. 2 and No. 100.21 The lesson is clear: continued success requires critical self-examination and growth. Few senior executives would suggest they are less in need of personal learning than Tiger Woods.

Inconvenient Truth #5: Influence leaders aren’t that influential

Almost all change management literature places importance on mobilizing a set of "influence leaders" to help drive the change. Typically guidance is given to find and mobilize those in the organization who either by role or personality (or both) have disproportionate influence over how others think and behave. We believe this is sound and timeless advice – indeed having a cadre of well-regarded people proactively role modeling and communicating the change program is a "no regrets" move. However, since Malcom Gladwell popularized his "law of the few" in his best-selling book, The Tipping Point, we have observed that the role of influence leaders has moved from being perceived as a helpful element of a broader set of interventions to a panacea for making change happen (likely an unintended consequence of Gladwell’s work which itself was directed towards marketers versus change leaders).

Influence leaders are no more likely to start a social “contagion” than the rank and file... success depends less on how persuasive the “early adopter” is, and more on how receptive the “society” is to the idea.

Gladwell’s “law of the few” suggests that rare, highly connected people shape the world. He defined three types of influence leaders that are among this select group: Mavens—discerning individuals who accumulate knowledge and share advice; Connectors—those who know lots of people; and Salespeople—those who have the natural ability to influence and persuade others. Gladwell famously illustrates his point with the example of Hush Puppies. The footwear brand was dying by late 1994—until a few New York hipsters began wearing their shoes. Other fashionistas followed suit, whereupon the cool kids copied them, the less-cool kids copied them, and so on, until voilà! Within two years, sales of Hush Puppies had exploded by 5,000 percent, without a penny spent on advertising.22 Compelling stories such as this have been interpreted by many change leaders as evidence that the lion’s share of their role should focus on getting the influence leader equation right and – voilà! – all else will follow.
Duncan Watts, a network-theory scientist working for Yahoo!, has conducted a number of experiments that help explain why “influence leaders” are not the panacea the above example implies. In the context of the Hush Puppies story, he essentially posed the more expansive question, “Given East Village hipsters were wearing lots of cool things in the fall of 1994, why did only Hush Puppies take off? Why didn’t their other clothing choices reach a tipping point too?” His research shows that influence leaders are no more likely to start a social “contagion” than the rank and file. He concludes that success depends less on how persuasive the “early adopter” is, and more on how receptive the “society” is to the idea. To start a social epidemic is less a matter of finding the mavens, connectors, and salespeople to do the infecting and more a matter of developing the “virus” that society is a fertile spreading ground for. Watts suggests a better metaphor than a virus—a forest fire—for the way social influence really works. There are thousands of forest fires a year, but only a few become roaring monsters. Why? Because in those rare situations the landscape is ripe: sparse rain, dry woods, badly equipped fire departments. In these situations, no one will go around talking about the exceptional properties of the random smoker who unwittingly tossed a smoldering cigarette butt into a patch of parched grass in the middle of a forest during a drought.

The inconvenient truth is that it is not enough to invest in a few rather than in many as a way of catalyzing desired changes, no matter how appealing the idea is. We warn against overestimating the impact a group of influence leaders can have and, in turn, overinvesting in them in a world of scarce resource (time, money, people). We advocate that change leader attention should be balanced across all four conditions for change – a compelling story, role modeling, reinforcement systems, and the skills required for change – to ensure they are reinforcing in ways that maximize the probability of the change “spark” taking off like wildfire across the organization.

**C. THE INCONVENIENT TRUTH ABOUT REINFORCING MECHANISMS**

Conventional change management emphasizes the importance of reinforcing and embedding desired changes in structures, processes, systems, target setting and incentives. If you want collaboration, create cross-functional teams. If you want customer focus, make sure your systems give you a full picture of the customer relationship. If you want just about any behavior, make people’s paycheck dependent on it, and so the logic goes. Again, these are all perfectly rational until confronted with two inconvenient truths.

**Inconvenient Truth #6: Money is the most expensive way to motivate people**

Upton Sinclair once wrote, “It is difficult to get a man to understand something if his salary depends upon him not understanding it.”\(^{24}\) If a change program’s objectives are not linked somehow to employee compensation, this sends a strong message that the change program is not a priority, and motivation for change is adversely affected. The flip-side, however, is not true. When change program objectives are linked to compensation, motivation for change is rarely meaningfully enhanced. The reason for this is as practical as it is psychological in nature.

Consider the change manager who is working to link the change program with compensation. He or she is faced with existing executives’ annual compensation plan that is typically comprised of three elements: a portion dependent on how the corporation does (typically an earnings or return-on-capital number for the whole company), a portion dependent on how the leader’s specific business or function does, and a portion dependent on individual goals, often related to operations or people.

The rational change manager dutifully builds change-program impact into earnings forecasts and business unitfunctional financial operating plans. Come review time, however, he/she realizes that with the myriad of controllable and uncontrollable variables that influence the
financial outcomes, the link to specific change program implementation becomes weak at best. Operational (non-financial) impact from change program implementation creates a stronger link to outcomes and individual efforts. Unfortunately, however, the weighting of non-financial outcomes from the change program in the context of the vast array of other metrics also “linked” to rewards (e.g., compliance, safety, social responsibility, diversity, talent development, leadership competencies) renders any link to compensation hardly relevant.

The reality is that in the vast majority of companies it is exceedingly difficult to meaningfully link a change program to individual compensation. So why not just change the compensation approach? This is of course an option, but easier said than done and certainly not without risk and potential unintended consequences when considering that change must happen in real time—the organization must continue to carry out its day-to-day tasks and functions while at the same time fundamentally rethinking them. The good news is that there are easier, relatively inexpensive ways to use incentives to motivate employees for change.

In one study, researchers gave people a tiny gift and measured the increase in satisfaction with their lives. Specifically half of a group of people who used a photocopier found a dime in the coin return. How much did the gift increase their satisfaction with their lives? When asked about how satisfied they were with their lives, those with the dime were 6.5 on a 7 scale whereas those without were only 5.6. Why such a lift in satisfaction for such little reward? For human beings it holds that satisfaction equals perception minus expectation (an equation often accompanied by the commentary, “reality has nothing to do with it”). The beauty of this equation for change managers is that small, unexpected rewards can have disproportionate effects on employees’ “satisfaction” with a change program.

Gordon M. Bethune, while turning around Continental Airlines, sent an unexpected $65 check to every employee when Continental made it to the top 5 for on-time airlines. John McFarlane of ANZ Bank sent a bottle of champagne to every employee for Christmas with a card thanking them for their work on the company’s “Perform, Grow and Breakout” change program. The CEO of a large multi-regional bank sent out personal thank-you notes to all employees working directly on the company’s change program to mark its first-year anniversary. Most change managers would refer to these as merely token gestures and argue that their impact is limited and short-lived. Employees on the receiving end beg to differ. Recipients of these “dime in the photocopier” equivalents consistently report back that the rewards have a disproportionately positive impact on change motivation that lasts for months, if not years.

For human beings it holds that satisfaction equals perception minus expectation – small, unexpected rewards can have disproportionate effects.

The reason these small, unexpected rewards have such impact is because employees perceive them as a “social exchange” with the company versus a “market exchange.” To understand the difference, consider the following: Assume you are at your mother-in-law’s house for Thanksgiving dinner. She has spent weeks planning the meal and all day cooking. After the meal you thank her and ask her how much you should pay for the experience. What would her reaction be? Most people report that their mother-in-law would be horrified and the relationship damaged as a result. Why? The offer of money takes the interaction from a social norm, built around a reciprocal, long-term relationship, to a market norm that is more transactional and shallow. Back to your mother-in-law, would she have accepted a nice bottle of wine for the table as a gift from you? Likely yes, as small, unexpected gifts indicate social norms are at play.

Consider the study of a daycare center where a $3 fine was imposed for parents picking up their children late. When the fine went into place, incidents of late pickups went through the roof. Why? Before the fine was imposed, the daycare staff and the parents had a social contract—for the
parents, feeling guilty about being late compelled them to be more prompt in picking up their kids. Once the fine was imposed, the daycare center had inadvertently replaced social norms with market norms. Free from feelings of guilt, parents frequently chose to be late and pay the fee (certainly not what the center had intended!).

When it comes to change, social norms are not only cheaper than market norms, but often more effective as well. By way of example, consider the AARP (American Association of Retired Persons) which asked some lawyers if they would offer less expensive services to needy retirees, at something like $30 an hour. The lawyers said no. Then the program manager from AARP had the idea to ask the lawyers if they would offer free services for needy retirees. Overwhelmingly, the lawyers said yes. When compensation was mentioned the lawyers applied market norms and found the offer lacking. When no compensation was mentioned they used social norms and were willing to volunteer their time.

Inconvenient Truth #7: A fair process is as important as a fair outcome

Consider a bank which, as part of a major change program, diagnosed that its pricing did not appropriately reflect the credit risk that the institution was taking on. New risk-adjusted rate of return (or RAROC-based) models were created, and the resulting new pricing schedules delivered to the frontline. At the same time, sales incentives were adjusted to reward customer profitability versus volume. The result? Customer attrition (not only of the unprofitable ones) and price over-rides went through the roof and, ultimately, significant value was destroyed by the effort. The rational change manager scratches his or her head in confusion wondering, “What went wrong?”

“Ultimatum games” offer a compelling example of the inconvenient truth at play here. Give a stranger $10. Tell them they must split the money with another stranger however they wish. If the person accepts the offer, the money is split. If they reject the offer, no one gets any money. Studies show that if the offer is a $7.50/$2.50 split, more than 95 percent will reject it, preferring to go home with nothing than to see someone “unfairly” receive three times as much as they do. You may be thinking to yourself that with a total pie of $10 to share, unequal allocations are rejected only because the absolute amount of the offer is low. Seemingly irrationally, however, the “ultimatum game” findings are the same even when the absolute amount of the offer is equivalent to two weeks of wages.

Employees will go against their own self-interest (read: incentives) if the situation violates other notions they have about the way the world should work, in particular, in relation to fairness and justice.

The inconvenient truth is that employees will go against their own self-interest (read: incentives) if the situation violates other notions they have about the way the world should work, in particular, in relation to fairness and justice. In the case of the banking price-rise example described above, whether right or wrong, the frontline view of the pricing and incentive changes was that they were unfair to the customer, a symbol of increasingly greedy executives losing sight of customer service. Even though it meant they were less likely to achieve their individual sales goals, a significant number of bankers vocally bad-mouthed the bank’s policies to customers, putting themselves on the customer’s side, rather than the bank’s. Where possible, price over-rides were then used to show good faith to customers and inflict retribution on the “greedy” executives.

In making any changes to company structures, processes, systems and incentives, change managers should pay an unreasonable amount of attention to employees’ sense of the fairness of the change process as well as the outcome. Particular care should be taken where changes effect how employees interact with one another (headcount reductions, changes to processes such as talent management, annual planning, etc.) and with customers (sales stimulation programs, call center re-designs, pricing, etc.). Interestingly,
in the pricing example described above, the outcome is inherently fair (customers are asked to pay commensurate to the risk the bank is taking on), and therefore the downward spiral described could have been avoided (and has been by other banks adopting RAROC-based pricing) by carefully tending to employees’ perceptions of fairness in the communications and training surrounding the changes.

D. THE INCONVENIENT TRUTH ABOUT CAPABILITY BUILDING

Conventional change management emphasizes the importance of building the skills and talent needed for the desired change to be successful and sustainable. Though hard to argue with, in practice there are two more inconvenient truths that demand attention if one is to successfully build the needed capabilities.

Inconvenient Truth #8: Employees are what they think

Many managers believe in their heart of hearts that the “soft stuff”—employees’ thoughts, feelings and beliefs—has no place in workplace dialog. “All that matters is that they behave in the ways I need them to; it doesn’t matter why,” they will say. While rational—behaviors drive performance after all—this view misses the point that it is employees’ thoughts, feelings and beliefs that drive their behaviors. Ignoring the underlying mindsets of employees during change is to address symptoms rather than root causes.

Consider an analogy from operations management. When a motor burns out on a machine on the shop floor it is replaced, right? Effective managers will only replace the engine once the root causes are known: “Why did the motor burn out?” Because it overheated. “Why did it overheat?” Because it was insufficiently ventilated. “Why was it insufficiently ventilated?” Because the machine is too close to the wall. The operator then moves the machine away from the wall and replaces the motor. Not doing so would mean the fix would be short-lived (the new motor would have quickly burned out too, due to the lack of ventilation). A far better solution is achieved by addressing the root cause.

Let’s see how this applies to change management. Consider a bank that through a benchmarking exercise found that its sales per banker were lagging the competition. “Why are sales per banker lower?” the rational manager asks. Analysis shows bankers are not spending enough time with customers. “Why aren’t they spending more time with customers?” Because a significant amount of their time is spent completing paperwork. With this diagnosis the bank set about reengineering the loan-origination process to minimize paperwork and maximize customer-facing time. Not only that, bankers are provided with new sales scripts and easier-to-use tools so that they’ll know what to do with the extra time in front of the customer. Training on the new processes and tools is administered and, voilà, problem solved. Except for the fact that six months later, the levels of improvement are far lower than envisioned.

What went wrong? A further investigation into “why”, with an eye to the bankers’ mindsets, provides a much fuller view of the root causes: Is there anything about how they think and feel, or what they believe about themselves and their jobs, that explains why they wouldn’t be spending more time with customers? Faced with a stalled improvement program, the bank in question proceeded down this line of inquiry. They quickly found that most of the bankers in question simply found customer interactions uncomfortable and therefore actually preferred paperwork to interacting with people (and, in turn, created reasons not to spend time with customers). This was driven by a combination of introvert personalities, poor interpersonal skills and a feeling of inferiority when dealing with customers who by and large have more money and education than they do. Furthermore,

The Inconvenient Truth About Change Management
supervisors (who had mostly been recruited from the banker ranks) were also insecure with their selling and interpersonal skills, and therefore placed more emphasis on managing paper-based activity, further exacerbating the problem. Finally, most bankers loathed to think of themselves as “sales people”—a notion they perceived as better suited to employees on used-car lots than in bank branches. Efforts to create “more sales time” flew directly in the face of their vocational identity.

Armed with these root-cause insights, the bank’s change program was enhanced to directly address the mindset challenges as well as the process and tool barriers. Training for bankers and supervisors was expanded to include elements related to personality types, emotional intelligence and vocational identity (recasting “sales” as the more noble pursuit of “helping customers discover and fulfill their unarticulated needs”). This enhancement not only put the program back on track within six months, but also ultimately delivered sustainable sales lifts in excess of original targets.

Those skeptical of the importance of mindsets are encouraged to consider the Roger Bannister story. Until 1954, the four-minute mile was considered to be beyond human achievement. Medical journals of the day went so far as to declare it an impossible “behavior.” In May of that year, however, Roger Bannister broke this barrier, running the mile in 3 minutes, 59.4 seconds. What is perhaps more amazing is that two months later it was broken again, by Australian John Landy. And within three years, 16 other runners had also broken this record. What happened? A sudden spurt in human evolution? Genetic engineering of a new super race of runners? Of course not. It was the same human equipment, but with a different mindset—one that said “this can be done.”

Bannister emphasizes in his memoirs that he spent as much time conditioning his mind as he did conditioning his body. He wrote, “the mental approach is all important... energy can be harnessed by the correct attitude of mind.”31 While perhaps inconvenient, when it comes to building capabilities required for change, we believe a balance should be struck between building technical skills and shifting underlying mindsets (to enable the technical skills to be used to their fullest).

Inconvenient Truth #9: Good intentions aren’t enough

It is well documented that after three months adults retain only 10 percent of what they have heard in lecture-based training sessions (e.g., presentations, videos, demonstrations, discussions). When they learn by doing (e.g., role plays, simulations, case studies), 65 percent of the learning is retained. And when they practice what they have learnt in the workplace for a number of weeks, almost all of the learning can be expected to be retained.32 Accordingly, effective skill-building programs are replete with interactive simulations and role plays to ensure time spent in the training room is most effective. Further, commitments are made by participants regarding what they will “practice” back in the workplace (“My Monday morning takeaway is...”) to embed the learnings. This is all well and good, except that come Monday morning, very few keep their commitments.

Consider a social science experiment at a Princeton theological seminary. Students were asked a series of questions about their personality and level of religious commitment and then sent across campus. Along the way, they met a person slumped over coughing and groaning and asking for medical assistance. Did self-proclaimed nice people help more? Absolutely not. Neither did religious commitment correlate to who provided help. The only predictor of the seminarians’ behavior was that half were made to think they were late for an appointment across campus, while the others believed they had plenty of time. Sixty-three percent with spare time helped, as opposed to just 10 percent of those in a hurry. When short of time, even those with “religion as a quest” did not stop to help.33

Given this aspect of human nature, it is unreasonable to expect that most employees will genuinely practice new skills and behaviors back in the workplace if nothing formal has been done to lower the barriers to doing so. The time and energy required to do something additional, or even to do something in a new way, simply don’t exist in busy executives’ day-to-day schedules. Ironically, this is particularly the case in the days following training programs, when most managers are playing catch-up from their time
away. This failure to formalize and create the space for practice back in the workplace dooms most training programs to deliver returns that are at best 65 percent of their potential.

We advocate a number of enhancements to traditional training approaches to “hardwire” day-to-day practice into capability-building processes. First, training should not be a one-off event. Instead, a “field and forum” approach should be taken, in which classroom training is spread over a series of learning forums, and fieldwork is assigned in between. Second, we suggest creating fieldwork assignments that link directly to the day jobs of participants, requiring them to put into practice new mindsets and skills in ways that are “hardwired” into the things for which they are accountable. These assignments should have quantifiable, outcome-based measures that indicate levels of competence gained, and certification that recognizes and rewards the skills attained.

Consider one company’s approach to building lean manufacturing capabilities. The first forum offered a core of basic skills and mindsets in performance improvement. Fieldwork then followed, involving cost, quality and service improvement targets over a three-month period. Anyone delivering on these targets was awarded a green-belt certification in lean. The next forum provided much deeper technical system design skills and project and team leadership training. The fieldwork that followed involved participants redesigning entire areas of the plant floor and overseeing a portfolio of specific improvement teams—all aspects of which had quantitative targets (both in terms of financial results, and people and project leadership in 360-degree evaluations). Anyone achieving their fieldwork targets then became a black belt in lean. The final forum built more advanced skills in shaping plant-wide improvement programs in the context of pressing strategic issues, applying improvement concepts to more complex operations, and coaching and mentoring others. Fieldwork again put these lessons into practice with quantitative improvement goals attached, resulting in a set of “master black belts” emerging from the program.

SHOW ME THE MONEY!

So far, we have tested the incremental impact of applying these inconvenient truths in practice above and beyond more conventional approaches to influencing behavior in three longitudinal studies. Each study has employed control versus experimental group methodologies (comparing impact with like customer and employee demographics, ensuring minimal distortions of trial over a one-year test period). In each of these cases, the results have been profound.

In retail banking, for example, applying conventional change management approaches in a salesforce stimulation program achieved an 8 percent lift in profit per business banker and 7 percent per retail banker. While respectable, this was below management aspirations of achieving a 10 percent lift in both areas. Where inconvenient truths were acted on beyond conventional change management approaches, however, the program achieved a 19 percent lift in profit per business banker and 12 percent per retail banker, far exceeding management’s expectations.

In the call centers of a large telecommunications company, the results of a customer churn reduction program applying conventional change management approaches resulted in 35 percent churn reduction, falling short of management’s aspiration of a 50 percent reduction. Acting on the inconvenient truths, however, delivered 65 percent churn reduction to the delight of management, employees and customers.

An insurance back office which had implemented lean operations improvements found that performance six months after the “step change” was stagnant, not fulfilling the continuous improvement expectations of the program. Revamping the program to leverage inconvenient truths, the company has now posted more than two years of 5 percent improvement.
(above and beyond the step change) in cost, quality and service, exceeding the 3 percent continuous improvement target built into the budget.

As mentioned above, we acknowledge that our research into the impact of applying approaches based on the inconvenient truths about change management is still in its relatively early days by virtue of the fact that sustainable impact can only be measured over numbers of years. The longitudinal examples mentioned above, however, give us confidence and motivation to broadly share the thinking above.

***

David Whyte once wrote, “Work, paradoxically, does not ask enough of us, yet exhausts the narrow part of us we bring to the door.”35 Our research and experience has led us to believe that the impact of conventional change management thinking is held back by exactly this paradox. More activity is undertaken, less energy is tapped into, and ultimately change impact is disappointing. By acting on the inconvenient truths discussed above, Whyte’s paradox is at least in part resolved by tapping into motivations that are uniquely human. In doing so, tremendous individual and organizational energy for change is unleashed.
The Inconvenient Truth About Change Management

Why it isn’t working and what to do about it

Further Reading

In writing this article, the goal has been to highlight those aspects of change management that are most counter-intuitive, and therefore most likely to inhibit change program success. We have not attempted to deliver a holistic recipe for change management. For a comprehensive view of the more rational, conventional elements of successful change programs, we suggest the following reading:

ARTICLES

Leading Change: Why Transformation Efforts Fail
By John Kotter
Harvard Business Review
March–April 1995

Businesses hoping to survive over the long term will have to remake themselves into better competitors at least once along the way. These efforts have gone under many banners: total quality management, reengineering, rightsizing, restructuring, cultural change, and turnarounds, to name a few. In almost every case, the goal has been to cope with a new, more challenging market by changing the way business is conducted. A few of these endeavors have been very successful. A few have been utter failures. Most fall somewhere in between, with a distinct tilt toward the lower end of the scale. John P. Kotter completed a 10-year study of more than 100 companies that attempted such a transformation. Here he shares the results of his observations, outlining the eight largest errors that can doom these efforts and explaining the general lessons that encourage success. Unsuccessful transitions almost always flounder during at least one of the following phases: generating a sense of urgency, establishing a powerful guiding coalition, developing a vision, communicating the vision clearly and often, removing obstacles, planning for and creating short-term wins, avoiding premature declarations of victory, and embedding changes in the corporate culture. Realizing that change usually takes a long time, says Kotter, can improve the chances of success.

Driving Radical Change
By Josep Isern and Caroline Pung
The McKinsey Quarterly
June 2006

Genuine transformations take place on a scale different from that of routine change programs — and are much harder to pull off. Two of the most urgent challenges are setting appropriate aspirations and mobilizing energy and ideas. A transformation calls for game-changing ideas, not incremental improvements. Leaders must clarify this up front and regularly reinforce it, eliciting ideas on why change is necessary, what must change, who must change, and how to change. By creating clear expectations, leaders must initiate disciplined processes for idea generation and development. This first phase of every initiative must include time for creativity, with a challenge mechanism built in to avoid incrementalism. Many transformations kick off with a rush of enthusiasm, only to falter later. To achieve radical change, leaders must find ways to reenergize their organizations at regular intervals. They can do this by “fuel-injecting” ideas with six proven catalysts: setting high aspirations; managing pace; engaging at three levels; embedding visible change; building capabilities; and making change personal.

The Psychology of Change Management
By Emily Lawson and Colin Price
The McKinsey Quarterly
2003 Special Edition: The Value in Organization

Large organizational-change programs are notoriously difficult to run: They involve changing the way people not only behave at work but also think about work. Sometimes, however, changing individual mindsets is the sole way to improve a company’s performance. Psychologists in fields of adult development have made several important discoveries about the conditions that have to be met before people will change their behavior. First, they must see the point of the change and agree with it, at least enough to give it a try. Then the surrounding structures — rewards and recognition systems, for example — must be in tune with the new behavior. People must also see colleagues they admire modeling it and need to have the skills to do what is required of them. Applying any one of these insights on its own doesn’t have much impact. But managers now find that applying all four together greatly improves their chances of bringing about lasting changes in the mindsets and behavior of people in an organization — and thus of achieving sustained improvements in business performance.

The Role of the CEO in Leading Transformation
By Scott Keller and Carolyn Aiken
The McKinsey Quarterly
April 2007

In today’s business environment, incremental improvement is not enough — periodic performance transformation is required to get, and stay, on top. Much has been written about what it takes to transform performance successfully. But what is the CEO’s role in leading the transformation? How does the CEO’s role differ from the role of the executive team or of initiative sponsors? Surprisingly, there is little written material that addresses these questions. Guidance can be given, however, based on experience derived from scores of major transformation efforts combined with a series of intense research projects over the past decade. There is no single model for success. The exact nature of the CEO’s role will be context-specific (e.g., influenced by the size, urgency, and nature of the transformation, the capability of the organization, the CEO’s personal style). This white paper outlines four roles that successful CEOs tend to play: making the transformation meaningful, role modeling desired mindsets and behaviors, building a strong and committed team, and pursuing impact relentlessly.
End Notes


2. For a list of about 100 highly recommended books on change management see Nickols, Fred, 2006. [http://www.managementlogs.com/2006/04/change-management-books.html](http://www.managementlogs.com/2006/04/change-management-books.html). As of March 7, 2008, Amazon had 1,861 books listed under the official category “organizational change” and 8,604 books under the category of “change.”


9. Behavioral economics and behavioral finance are closely related fields which apply scientific research on human and social cognitive and emotional biases to better understand economic decisions and how they affect market prices, returns and the allocation of resources. Daniel Kahneman with Amos Tversky and others, established a cognitive basis for common human errors using heuristics and biases (Kahneman & Tversky, 1973, Kahneman, Slovic & Tversky, 1982), and developed Prospect theory (Kahneman & Tversky, 1979). He was awarded the 2002 the Nobel Prize in Economics for his work in Prospect theory as a psychologically realistic alternative to expected utility theory.


21. Note that in an interview with *Time* magazine published August 14, 2000, looking back on his decision, he told writer Dan Goodgame: “I know I wasn’t in the greatest position with my swing at the [1997] Masters. But my timing was great, so I got away with it. And I made almost every putt. You can have a wonderful week like that even when your swing isn’t sound. But can you still contend in tournaments with that swing when your timing isn’t as good? Will it hold up over a long period of time? The answer to those questions, with the swing I had, was ‘no’. And I wanted to change that.” Rankings reported by Harig, B., “Wood ‘Uncomfortable’ with his Game,” ESPN.com, April 26, 2004.


32. IBM research; Whitmore, “Coaching for Performance.”


34. Experimental and control group clusters of bank branches were chosen that matched each other and the organizational average on the following dimensions: Performance: NPBT (growth and average over longest coherent period available), economics of customers, average income per customer, industry composition in business banks (split between service and manufacturing industry), and characteristics of centers; Staff: performance rating, tenure (+2.5 years min.); and Size: footings per banker. During the study we ensured no distortions of trial occurred in terms of change of management, restructuring of operations, test of other initiatives in an incomplete subset of trial participants. Performance was compared over 1 year between three groups: 1) No intervention, 2) Salesforce effectiveness improvement program with “rational” change management interventions, 3) Salesforce effectiveness improvement program with “rational” change management interventions. This approach is illustrative of all longitudinal studies mentioned.