

CHANGE AGILE

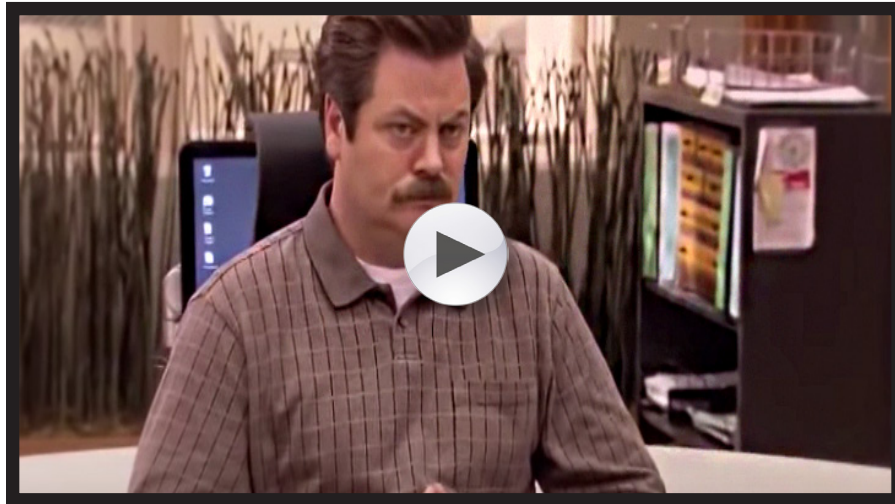
| WHY THE BEST TEAM WINS IN CHANGE |

1. Setting The Stage

Why We're Talking About Change Management

TO SUSTAIN HATRED IS A VERY DIFFICULT THING
TO DO, YEAR AFTER YEAR. IT'S EXHAUSTING.

- NICK CAVE, ALTERNATIVE ROCK MUSICIAN



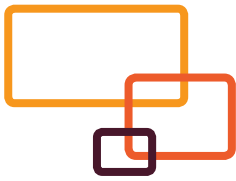
Let's face it—we talk a lot about change, but most of us aren't very good at it. In his classic book *“Thinking, Fast and Slow”*, psychologist and author **Daniel Kahneman** states that most of us would rather be wrong than uncertain. In fact, our order of preference based on research is:

1. Being right
2. Being wrong
3. Being uncertain



What's interesting about this is that being uncertain comes with the chance that you can end up being right. Being wrong doesn't provide this option. Yet we still prefer any resolution, even a bad one, over no resolution. How does this relate to change? The outcome of any change is uncertain. When we draw a J curve, it assumes a successful scenario and improvement in performance. But in practice, this is not the case. Some changes are helpful; others are not (even if they are successful.)

And then, some changes don't live long enough for us to be able to tell whether they were helpful or not in the first place. This introduces quite a lot of uncertainty. Bottom line: We don't like uncertainty. No wonder that resistance kicks in.

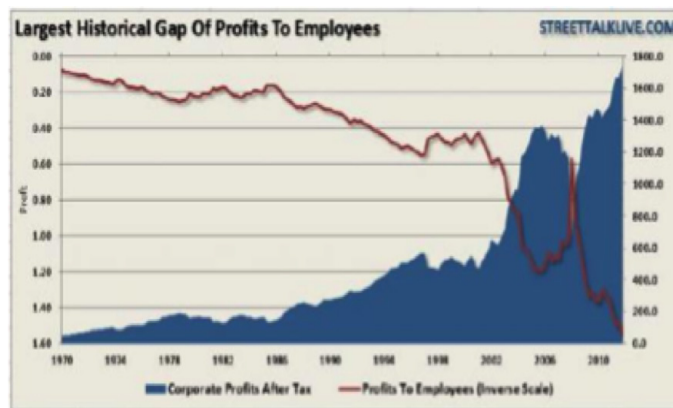


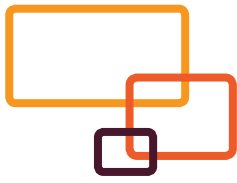
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But today's business world doesn't care much about our needs, does it? Consider the following charts:

The first chart shows the size of recessions in the last century (vertical drop) and the time it took employment levels to come back from each recession (horizontal spread.) The second chart shows the historical gap of profits to employees—how much manpower it took through the years to drive corporate profits.





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Here are some ways we should be aware of change, both in our company and in our careers:

Customer Needs and Innovation/New Product Opportunities – As the world evolves, customer needs change and grow, creating new demand for new types of products and services—and opening up new areas of opportunity for companies to meet those needs.

Competition – They’re moving to discover the aforementioned customer needs and meet them. You might not be. That seems like a problem.

The Economy – See the recession chart on the previous pages. Regardless of where we are in the current economic cycle, the need to consider change is always present.

Growth Opportunities – Change is important in organizations to allow employees to learn new skills, explore new opportunities and exercise their creativity in ways that ultimately benefit the organization through new ideas and increased commitment. We all could do a better job of evaluating employees’ capabilities and then taking steps to fill the gaps between current skills and the skills required to respond to growth.

Challenging The Status Quo – Simply asking the question “Why?” can lead to new ideas and new innovations that can directly impact the bottom line. Most of us don’t encourage that type of questioning. We probably should.

We created this module on Change Agile because if our experience tells us anything, it’s that big project plans related to change are usually destined to fail. Change happens too quickly and can’t be a top-down, directive type of command.



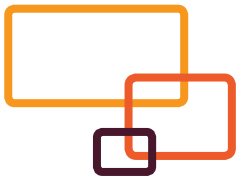
The best first step is to introduce small changes. There are two good reasons for this: First off, it improves the odds of experiencing a successful change and feeding that positive track record. Second, if the imposed change is a failure, the negative impact is shorter and you can move on quickly.

Another tactic is to create an environment where changes occur in an evolutionary manner. This helps internalize processes and makes change an inherent part of the culture—which is becoming increasingly crucial in a business environment where changes occur faster and faster.

Change happens. Might as well figure out the best way to approach it.



Google’s ad revenue is bigger than that of the entire U.S. Print Industry.



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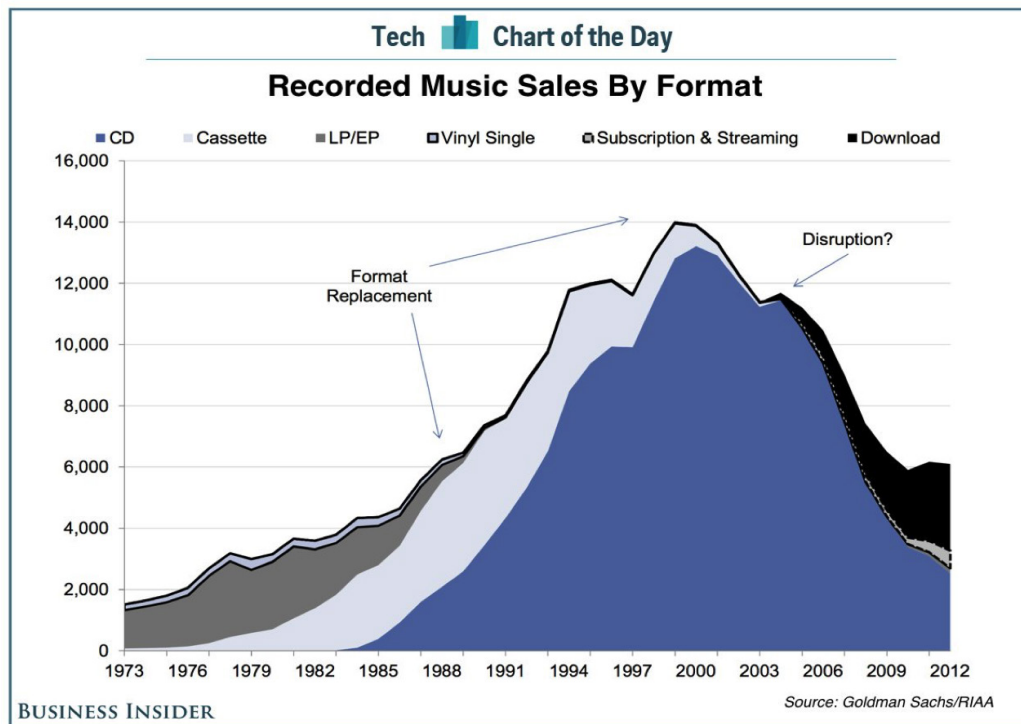
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Gimme Three Charts: A Case For Thinking About Staying Nimble

Your company exists in an industry that is changing. The question is whether you're doing the work to explore what's next or simply protecting the way things have always been.

Need an example? Let's talk about the music industry. If you're over 35 years of age, you grew up with music delivered in a format that's different than what we know today. Depending on how old you are, you may have been a part of 4 different music formats that housed the beats/riffs of your favorite artists (albums, 8-tracks, Cassette Tapes, CDs.)

Let's look at the sales of each through the years:



While competition has always been fierce in the music industry, the flagship providers in the industry always controlled one important aspect of their business:

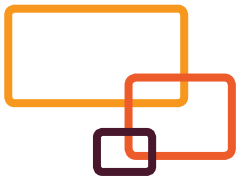
Distribution.

Until they didn't. That's when things got tricky. Can you remember the name of the disruptor who threw the industry on its head?

What's up Napster?

That's right. That nice, orderly chart of distribution modes in the music industry above asks the scholarly question—perhaps there was disruption?





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There was disruption, alright. It came in the form of a pirate ship named Napster founded by a kid named Sean Fanning. Napster created a disruptive product that allowed for peer to peer sharing—meaning you could put your whole music library online from your PC—and I could download songs from you—without paying anyone.

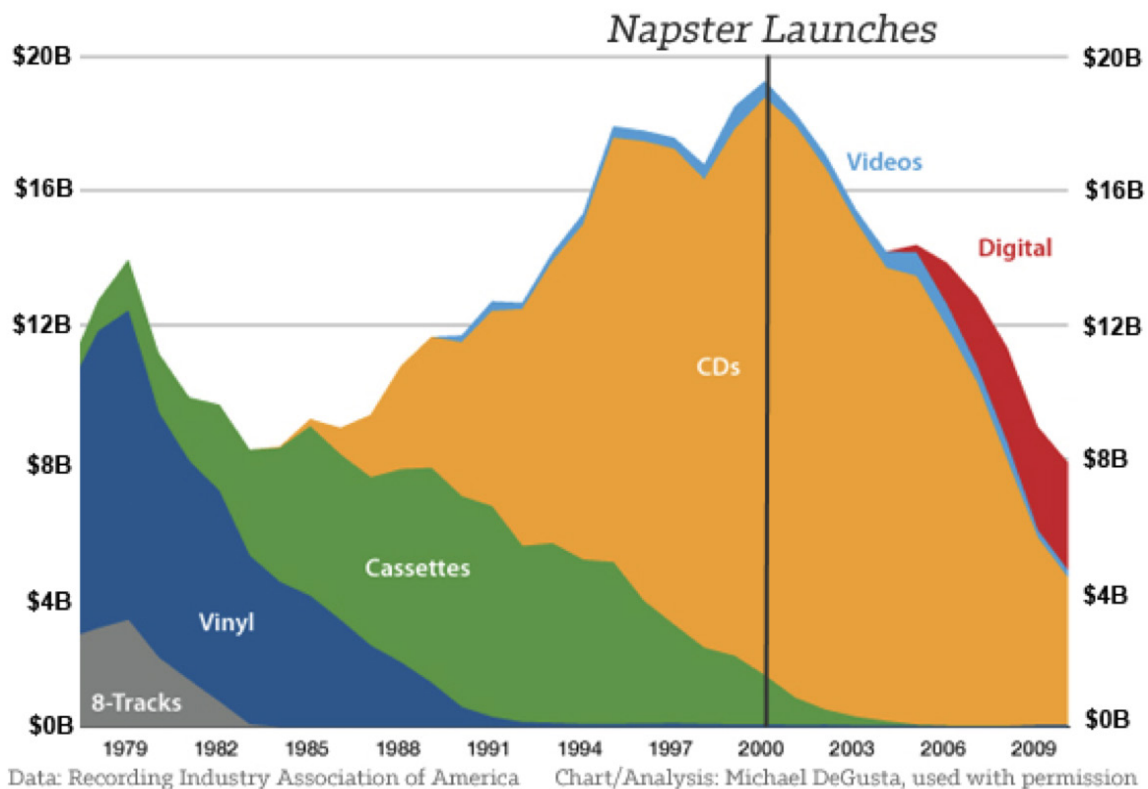
That's kind of a big deal. Of course, the music industry fought it, but the damage was done and music would never be the same.

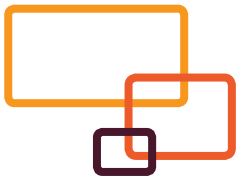
So technology made almost frictionless delivery modes for music possible. Of course, Napster and related services like LimeWire were ultimately illegal, and for the most part, didn't survive.

But Napster gave way to iTunes. And some people thought Apple had won forever. But that's not true.

More technology changes (specifically wireless broadband) gave way to streaming over downloads (Pandora and Spotify.) You have to expect something else will follow, driven by change.

US Recorded Music Revenue

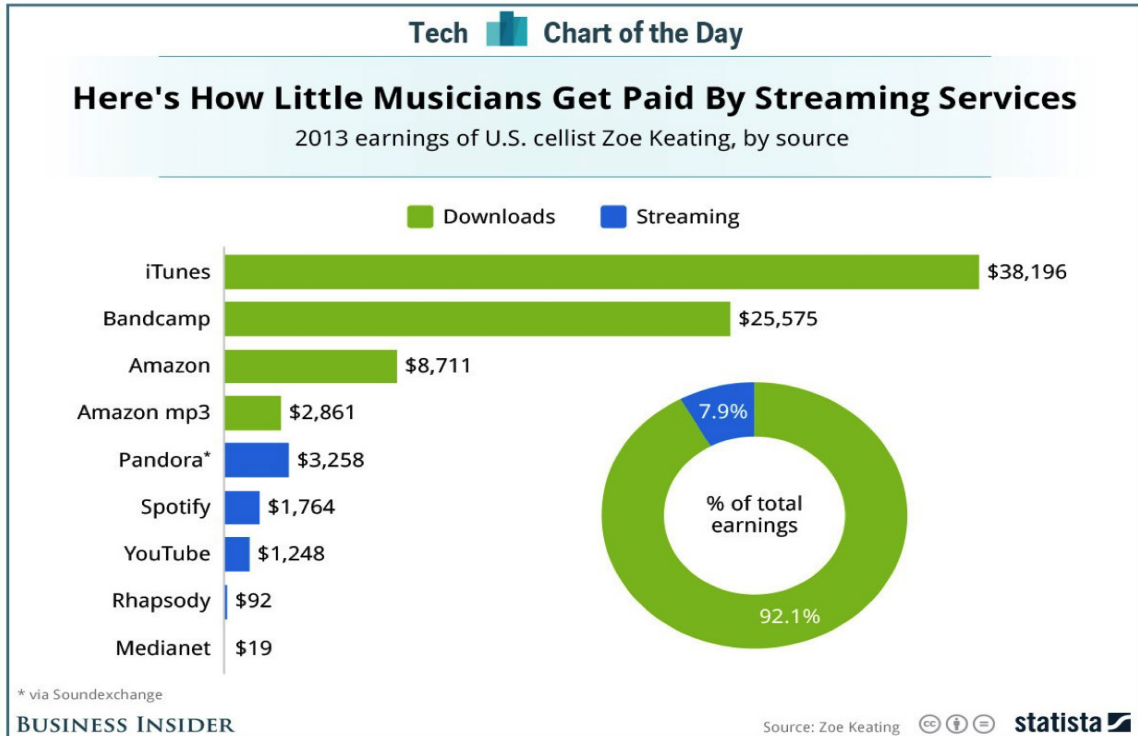




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Of course, record companies aren't the only ones who had their cheese moved. Consider the plight of the artist:

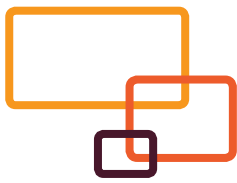


Change happens. What would have happened if the record industry moved more quickly to develop their own download service? What would have happened if iTunes had moved more quickly to react to streaming services?



2/3 of Apple's Revenue comes from products released after 2007.





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Visiting the Graveyard: Examples of Companies Who Thought the Glory Days Would Never End

Of course, Columbia Records and its peers weren't the only companies to have their world rocked by industry changes. Consider some of these tombstones (our favorites) in the corporate graveyard of change.

Blockbuster – This video-rental chain survived the transition from VHS to DVD just fine—but then failed to adapt to the next big change. Blockbuster remained flat-footed when Netflix started sending videos **through the mail**, cable and phone companies started offering video-on-demand, and Redbox started renting videos for a buck a night through vending machines. Now that video streams through computers and phones, Blockbuster's conventional retail outlets are gone for good. There's probably a mom and pop pottery store in a former Blockbuster retail outlet near you.



Eastman Kodak – For nearly a century, no company commercialized the camera as successfully as Kodak, whose breakthroughs included the Brownie camera in 1900, Kodachrome color film, the handheld movie camera, and the easy-load Instamatic camera. But Kodak's storied run began to end with the advent of digital photography and all the printers, software, file sharing, and third-party apps that Kodak has mostly missed out on. Since the late 1980s, Kodak tried to expand into pharmaceuticals, memory chips, healthcare imaging, document management, and many other fields, but the magic never returned.

Motorola – Its first big success came with car radios, which led to two-way radios, which eventually led Motorola to build and sell the world's first mobile phone—they were pretty good with change for a while. Motorola dominated that business as recently as 2003, when it introduced the trendy Razr, the biggest-selling mobile phone ever at the time. But Motorola failed to focus on smartphones that can handle E-mail and other data, and rapidly lost share to newcomers like Research in Motion, Apple, LG, and Samsung. Motorola was vanquished so swiftly that its cell phone division became a perennial money-loser and spun it off into a separate company, allowing the core Motorola to focus on networking equipment and a few other areas.

RIM Blackberry – You loved it. It's gone.

You know other tombstones of change in corporate America, don't you? It seems like the only way to avoid some of these seismic changes would have been to also have experiments in place designed to attempt to kill the cash cow product of each of these companies—but from the inside, not the outside.



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