

#46. Cavarec, Smits, & Caceres: Change Management

0:00:01 Kendall Lott: Often when we talk about organizational change, we're referring to internal organic changes, triggered by business needs. But what about when two or more teams come together to work on a project, or when companies merge? When conflicting cultures, duplicate systems, and incompatible processes are brought together to achieve a common goal, the consequences can be cataclysmic. It takes an experienced manager with a fully stocked toolkit to ease the transformation.

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0:00:29 Karen Smits: The organizations come together with their traditional views, their traditional ways of working, but they've never worked together. That requires change in everything.

0:00:38 Yves Cavarec: When you see people resisting, you say, "Okay, maybe we can have a discussion." Maybe we can hear them, instead of trying to explain to them that they are wrong.

0:00:50 Luis Cáceres: [0:00:50] You open a door with your project, and everybody wants to enter, so you have new changes, new process improvements. So, you lose the control of your scope.

0:01:00 KL: Change is a fact of life, without it organisms and organizations die. It's not easy though, we are after all creatures of habit. But it's our resilience and our capacity to adapt that serve us in the long run. Change, if handled well, can yield great benefits; if handled poorly, the bottom line could be seriously affected. And you'll learn in this episode that that happens more than you think. I discuss change management in all its guises with project managers and consultants in South America, Europe, and Asia, to find out what they consider crucial, and where the stumbling blocks are in managing change.

0:01:33 Announcer: From the studios of Final Milestone Productions, overlooking the White House in downtown Washington DC, this is PM Point of View, the podcast that looks at project management from all the angles. Here's your host, Kendall Lott.

0:01:49 KL: My first guest, Yves Cavarec, works in Paris. He has devoted many years to organizational change and business transformation, and authored a chapter on agile organizations for the newly released PMI Publication, "How Successful Organizations Implement Change." Yves is currently CEO of Neworq, a new company that develops solutions for collaborative learning.

0:02:10 KL: So, you were excited by the need for change when you've rolled out a new system or we've had a new change in technology because it changes people's work, I assume is where we're coming from on this.

0:02:19 YC: Some projects impact a lot organizations, and force the organization to get transformed. When you're talking about an organization, we cannot just say, "Okay, I've delivered

#46. Change Management

the software," or whatever the output, "and now you can use it or not; it's not my problem." No, in fact, there are some complementary work to do in order to help people better use whatever you deliver to the company, which can be software, an output, or whatever, or even the transformation, the way people are working together. If it's been different they need time just to get used to it and to use it.

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0:03:05 KL: As soon as a leader wants to have change, it's like this guy's standing on a rowboat, maybe with a team, and he's like, "I see where we have to go now. I know what we have to do." And then he has to... He or she has to argue with the team, "Come with me, row this direction," and this idea is, we have to overcome resistance to change. And of course that leads to new ideas of having to plan how you're going to communicate that, how you're going to get it done. You seem to have some interesting thoughts about where to go with that.

0:03:35 YC: Oh yeah, in fact, we have I think four misconceptions about change management. The first one, in fact as you said, is, we consider resistance to change is the problem. And the other one is the change curve, which I think is largely overrated. And something which is underrated is the invisible part of organizations, that I'd like to talk about as well. And the other part, is what we call Theory X as opposed to Theory Y. And those of you who are PMPs or they have been trained, they know what I'm talking about. I'm going to remind you this, if you will.

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0:04:29 KL: Yeah, let's talk about this resistance problem, because this is well-known in organizations. If you talk to anybody, they would say this is true, that people rowing the boat have to be convinced. They don't want to row differently.

0:04:40 YC: No, of course. The problem is, probably wherever you are in the world, you consider that resistance is a negative word. But, I have to tell you a story that in France resistance is not always negative, not because of the psychology of French people, but it's due to history in fact. From 1940 to 1944 our country was invaded by Germans. In fact, few French people were happy with this situation; most were upset but it was okay for them since they did not know what they could do about it. And some decided to resist to that change, if you will, so they created a large secret resistance network over all the country, and finally, France was liberated in 1944. Finally Resistants (resisters), as we call them, Resistants, are our heroes. If you make a decision for your company, as a CEO, there are some similarities between both situations, and I think it's interesting to look at them. When you think of it, people resist change because they live according to their values, instead of the value of another, which is somehow positive if you think about it.

0:06:10 KL: Yeah, yeah.

0:06:11 YC: People resist because they care about the company. Those who are *resistants* are not yes men, yes women of course, but they have a high opinion of what could be done by the company or what the company is missing. So they are sometimes risk takers or innovators, but I think we can have a positive look and see the positive side of resistance, and we can use this.

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0:06:45 KL: How do you see that being leveraged then? How do you see a CEO or executive team or any team being able to say, "Okay, we recognize this, we will use that to our advantage"? How does that happen?

0:06:54 YC: Well, here we come to Theory X and Theory Y. In fact, today most of our companies and even government organizations or associations, are led with the idea that employees have no ambition, they shy away from work and responsibility, they are individual goal oriented, they are less intelligent and lazier than managers. And this is typically what Douglas McGregor called "Theory X." So if you consider that people are like this or no ambition, lazy, you need to tell them what to do, you need to control, reward them, reprimand them, you have what he called "Theory X vision."

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0:07:51 YC: If you trust people, you think that employee work to better themselves if they enjoy what they do and take full responsibility for their work, and they are internally motivated, and they don't need any reward if they thrive on changes, then you are a "Theory Y." And McGregor is funny because he said, "No matter what you believe in, you are right."

[chuckle]

0:08:21 YC: Because if you think that people behave according to Theory X you will put a lot of rules, a lot of control, a lot of the carrots and the sticks, and finally, you will see that people are not engaged at work. You will see that people are lazy. You will see that people have no ambition. But what he says, it is the consequence of how you organize their work. It is because of you that people behave like that. And on the contrary, if you think that you can trust people, you will see people taking responsibilities... Of course, freedom as well, but as well responsibilities and accountability for what they do. They will care about you, about the company, about the shareholder, about the clients, about everyone, because you trust them.

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0:09:22 KL: Then we still have this so-called Valley of Engagement, or I think you called it once the Death Valley that supposedly happens for each individual. They see the change... Talk to me a little bit about how you perceive that curve?

0:09:36 YC: The change curve, yes. Yeah, it comes from a doctor who is Dr. Elisabeth Kübler-Ross. The story of Kübler-Ross is interesting because she spent her life with people who were dying.

0:09:52 KL: Yeah, she's the "Stages of Grief," isn't she?

0:09:54 YC: Absolutely, yeah. And she made a book in the 1960s about death and dying. So this is where you find the five stages of grief: Denial, anger, bargaining, depression, and acceptance. So you can see the curve here, right? So denial, anger, bargaining, depression, and finally, acceptance. When you decide to accept the change, you go up the valley. What Kübler-Ross says, is that people go through at least two of those stages, but she didn't say which one and in what order. So it was not

#46. Change Management

a valley that you had to go through. It was just different stages that people go through. But as she became famous, she was invited in many universities to talk, and one guy heard her at Harvard, and he was a consultant working in change management, and he decided, "Oh, this is a good idea that I could use in change management." And the valley comes from there.

0:11:03 KL: So we're making an assumption about people's unwillingness to, as they go through this, they have a higher emotive interaction very early, denial and anger; slowly they're lowering their resistance over time. So I guess it's resistance on one axis and time on the other; it's a mis-interpretation of it. And it's caused us to see resistance to change differently.

0:11:24 YC: Absolutely. So some scientists try to prove the existence of those stages. But in fact what they discovered is resilience. It doesn't mean that they don't suffer from change, but they go through a very hard tough in their life, and they survive it quite well.

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0:11:50 KL: So putting these together, if we are trusting in their resilience, this is going to allow us to handle a direction or a new change or need in the company or in an organization. If we have a Theory Y, an understanding that they are resilient, not resistant.

0:12:02 YC: Yeah. I think you can trust people to go through a very tough situation and trust them to help you. For example, the loss of a market, a client, big client that you have, you need to go through this, but people can help you with that.

0:12:18 KL: So it sounds like it's a call for collaboration in the face of change, very aggressively, by counting on them.

0:12:24 YC: Yes.

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0:12:30 KL: And you were talking about the hidden part of organizations. What is it you were referring to there?

0:12:35 YC: The invisible part. And when you come to an organization, when you are a CEO, you're new to the organization, you see weird stuff, you say, "Oh, people should behave like this. They don't. Well, I'm going to force them or ask them to do this." But people react by not changing, [chuckle] just... And you don't understand why, because you don't know the organization. In fact, because you have some taboos, you have some unwritten rules, hidden rules that you cannot know unless you are inside. And this is something very strong. But the culture of the company is very hard to understand and to change.

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0:13:21 YC: In France, we have organizations that were founded at the beginning of the 20th century, or even in the 19th century. And people were in a kind of military system, at the origin. And now, we want those people to take initiative, to innovate, to try things, to fail. But it's impossible because for them, failure means you're ruining the organization. So it's very hard to

#46. Change Management

change things.

0:13:53 KL: That's the purpose of an organization, isn't it? It's to replicate itself over and over again, no matter who comes in and who comes out.

0:14:00 YC: Yes, yes.

0:14:01 KL: And I think that's what sociologists talk about families doing as well, if I understand correctly. You're teaching your kids the rules, and you pass away, and your kids become the adults, and they know the rules, and they pass them on. That's what our societies do. So then, if the purpose of the organization is to replicate itself, how do you insert that change and cause it?

0:14:20 YC: A suggestion that I made to some CEOs that I knew: Instead of trying to change an organization, try to create something new, and don't create something new in the same place. Try to go outside. When a large company buys a startup, and the startup was... People were quite free to choose their working hours, to report... But now they have joined a large company and they have to adopt the rules of the large company, and suddenly they stop innovating. And suddenly people who wanted to have freedom, to be treated as adults, they leave the company because they don't want to stay there. So I really recommend people to create something new and to let those new things grow apart.

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0:15:19 KL: So that's going to be hard for an organization to say, that we have to do something completely new and you can't graft it back in because it reverts to the original system, it reverts to the normal behavior.

0:15:30 YC: Yes. You need to build...

0:15:30 KL: So how would they do this?

0:15:31 YC: You need to build a wall, literally. You need to create a new organization. You need to give freedom to people to do this. I have an example of a company who was transformed, but it was the decision of the CEO, so it came from the highest level of the organization. And the CEO was himself showing the way, and it made a lot of change. I can tell you the story of this company, if you will.

0:16:00 KL: Oh please, tell us. Tell us how it's done.

0:16:02 YC: Okay. The company is called Poult. It is a French company. They produce biscuits and cookies, and their market is very, very competitive. And until 2006, the company had ups and downs, so the CEO of the group decided not to continue like this, to do some radical changes. And he worked with a consultant to change the management style of the company. And it was radical. He told the board of directors what he was going to do, and he was authorized, let's say, by the board, to do this. And then he encouraged people to take initiative. This is the first thing. So people at first, they didn't believe him. They distrusted him.

[chuckle]

0:16:55 YC: But some of them took their chance, and they were encouraged to continue. And even if they fail... So for the rest of the group, it was a big change, because normally it was not authorized to fail, and here people were trying new things, and they said, "Okay, you have tried, you have failed. But now, what would you like to do?" The hardest was to reduce the control, to let people organize their own control. Because they wanted people really to take initiative. So they decided to suppress a lot of rules, particularly, sometimes you have rules that concerns no one in the organization, except maybe some stupid people. For example, it is forbidden to use the internet to look at porn movies. Of course, you're not... Nobody is going to... do this. So if you spend your time in trying to control or to identify people who do this, you spend a lot of money for the company. In fact, control costs a lot of money. So, when you let people and you trust them to do the things, people are quite reasonable.

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0:18:23 YC: Some managers had to change their role and became internal coaches instead of being a manager. So instead of telling people what to do and controlling them, they were encouraged to support employees, encourage employees. So, some managers did not support this loss of power, if you will, and they quit. But most of them were happy with this, and the company went from 800 employees in 2006 to 1,800 employees in 2016, in 10 years.

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0:19:09 KL: It's a lot about a leader having a decision about what direction they need to have a change in, something new, because that's what leaders have to do, right, because the market changes. They have to take their organization and the teams in the organization into new ways and patterns of behavior.

0:19:23 YC: Maybe instead of telling people, "Okay, here is what we're going to do," because you're the leader so you're supposed to know more than everyone what you're supposed to do, which is hard in a complex world. It may be simple when the world is simple, but when the world is getting complex, it's very hard to know exactly what you should do. Maybe it's good as well to involve people in decision making, including in strategies.

0:19:49 KL: And you're saying that because that keeps their motivation in line?

0:19:53 YC: Yeah, because if they have ideas and they can tell their ideas it doesn't mean that we're going to do what they say, but at least they can tell. We can have a discussion about it, and they can be heard. Then you're okay to do with the other plan. But if you thought it was not the best thing to do, but you didn't have the opportunity to just have a discussion, you will feel frustrated, because you know that this is not the thing to do, and you know what should have been done. But they never hear you, they never listen to you, so you get frustrated because of that. So, I think it's an investment, a very good investment to listen to people, to hear them, to have discussions with them, no matter what they do in the organization. They have a lot of ideas.

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0:20:45 KL: As podcast listeners, a lot of us are project managers, which means we do manage

#46. Change Management

teams and we may even just be coordinators of the resources. We may be in a highly matrixed situation. So we are both managers and we're employees. We've talked about what the leader should do, and what they're enabling. Given this approach, what do we owe as workers, what are our constraints and requirements?

0:21:07 YC: There is something that we could do that we don't do as project manager a lot is that trying to investigate what is the good intention behind resistance, for example. When you see people resisting, let's say, "Okay, maybe we can have a discussion. Maybe we can hear them," instead of trying to explain them that they are wrong, and at least listen to them. Another thing maybe is, and for a project manager, I think it's not too hard, is avoid centralized decision making. It's better to put the concerned stakeholders around the table to come up with something, through good discussions.

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0:21:56 KL: There's a piece in here, I'd still like to hear your thoughts on. Which is as an employee, what are my obligations? If the leadership is acting this way, if the project manager is acting this way, if the Theory Y is being imposed, if we're having access to help drive and create the change, if I'm a person who is resilient and I'm getting to speak my mind and I'm getting to participate, what are the obligations or what are the requirements for success from the employee side?

0:22:22 YC: You should be aware of the values of the company. You should make sure that you understand the purpose of the company, that your own purpose is aligned with the purpose of the company.

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0:22:35 KL: In other words, live your values, and that's something we really should all be doing. Whether our work environment is viewed as Theory X or Theory Y. And the people we hire should likewise be the most aligned to organizational values. One thing Yves mentioned, and this isn't the first time we've heard it, is that a project manager's final deliverables should include orienting and assisting the stakeholders in adopting and adapting to the new. And keep in mind, if employees or team members are resistant to change, try listening. Because resistance is really an indication that they care. Even if you don't use their ideas, the team will be more receptive to the change, simply for having had the chance to present their ideas, and for having been heard. One other interesting point Yves brought up is that control is expensive. Think about it. It's also, I might add, stressful.

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0:23:34 KL: Karen Smits is a business anthropologist from the Netherlands, currently working in Singapore. She designs and facilitates cultural change processes at Practical Thinking Group, and is an adjunct professor at ADEN University in their executive MBA program. Karen publishes regularly in PM Network magazine, and her PhD study on the Panama Canal has garnered much attention in the project management world.

I never heard someone call themselves a "business anthropologist," please elaborate.

0:24:04 KS: When we talk anthropology traditionally, you can think of tribes, of studying a tribe

#46. Change Management

with its norms and its values and its language maybe, its rituals, etcetera. Well, what organizational anthropologists do is the same thing, but in companies. Because we believe that every organization operates as a tribe. And I see every organization as a tribe with its chief and with its values and norms and its rituals, its power structures.

0:24:37 KL: Well, I want to actually play with that for just a second. In the world of a tribal lens, in what way would a project have played out in a tribal environment?

0:24:47 KS: If I'm very bold, I would say it'd be successful.

[laughter]

0:24:51 KL: Why is that, then? That's really interesting.

0:24:55 KS: Well, I think engagement in tribes is a lot bigger and better than in any organization or project. I think the way tribes are organized in terms of hierarchy... Hierarchy exists, but let's visualize this. If you see organizational charts, where is the head of the organization? It's always on top of the chart, right?

0:25:21 KL: Right.

0:25:21 KS: Or it's on the ivory tower, especially if we talk about buildings and spatial settings and in project management, that's basically the same thing. Whereas if we look at a tribe, the chief is in the middle of the tribe. And why is he in the middle? That's because he's more connected to its people. He's part of the community and so he knows what's going on. And so, what an organizational anthropologist in a TED Talk once said, it's Michael Henderson, he said tribes don't need engagement surveys because the chief knows what's going on. He doesn't need a survey or a questionnaire or interviewing or doing 360 degree kind of feedback. He doesn't need that kind of tools, because he knows what's going on within the tribe and I think that is actually key."

0:26:15 KL: The image to me was of a network, of a web even, actually of a spider in a web as opposed to some sort of hierarchal structure or pyramid looking type of organization.

0:26:25 KS: Yeah, yeah.

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0:26:31 KL: When I looked at your authorship here and the number of books, or book chapters rather, and professional journals and I noticed that a lot of it, given your last five years, has been around the Panama Canal as a mega project.

0:26:45 KS: Yes, that's where I gathered the data for my doctorate study, so that's where I got many of my examples from. A collaboration is basically the key word, intercultural collaboration would be the better words. I focused on one specific project, that's called the third set of locks project. It's actually the designing of the building of the locks and that was done by several companies. I focused on how these companies interacted and collaborated, or tried to collaborate together, because that was a very difficult task.

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0:27:21 KS: First of all, they came to a project thinking this project would run like any other project, having lots of assumptions. And that makes sense, we all have lots of assumptions when we start working on a project, because we think we understand the stakeholders. We think we understand the clients. We think we know what was agreed upon when we signed a contract. Now, here's one thing that causes a need for change is that often a contract is signed by a group of people working on that contract, but that group of people doesn't stay at the execution phase, which means a lot of the philosophy behind the contract and the design and everything that was discussed during the periods before signing or winning a tender gets lost in translation to the execution team. So, the execution team starts with a piece of paper or lots of paper, because this is piles of paper. But in those piles, there's generally not written, or at least people often don't read everything, because it's just so much about why certain agreements were made, why certain decisions were taken, etcetera. So, I think that's already a cause of conflict in the beginning and that should change in the general way of working in project management, I think.

0:28:49 KL: Another classic gap between the planning and execution.

0:28:52 KS: Yeah.

0:28:53 KL: By looking at it based on the assumptions that were built, not from a technical perspective, but even about how people interpreted what needed to happen.

0:29:00 KS: Exactly. And the philosophy's behind it, so much of the philosophy gets lost, I think.

0:29:05 KL: What would you suggest in a sizable project with large teams? How can they take that philosophy from the planning stage and effectively get it in the execution without saying, "Make sure you document everything in an assumption's register, or an assumption's document."

0:29:22 KS: I actually think that you can create another document, people can't read it. And time is an important topic. But, I think just have some people who were part of this planning phase in the execution phase.

0:29:36 KL: Okay.

0:29:36 KS: Because every time you bump into something that as an execution team you're like, "Hey, why did we agree on this? Why did we decide to go left instead of right? There must be a philosophy behind this." Then, the guy who was in the planning team, or the girl who was in the planning team can say, "That is because we had this discussion and we decided with the client to go left instead of right." But just to have some people from the planning phase into the execution phase I think solves a lot of project problems.

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0:30:14 KL: You have multiple companies, large projects, multiple stakeholders, large organizations that have their culture, and now, there's going to have to be some sort of organizational change, I presume, because they came together to start working, which is why I assumed it probably came around collaboration conflict.

0:30:31 KS: The organizations come together with their traditional views, their traditional ways of working, their specific habits in big projects, but they've never worked together. At least in this project, there were four organizations forming a consortium, whereas they'd never been together as a consortium before. That requires change in everything. That requires change in the way you communicate, in the way you deal with different rules and regulations. It requires your everyday practices basically. It requires change in how you deal with hierarchy, because in one organization hierarchy is strong and clear and whereas in another organization, hierarchy was less strict and then these two or three, there's lots of topics that come together in one organization and they try to upgrade as a new organization. That requires change on every level.

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0:31:37 KL: What are some key vectors that we want to look at when we're looking at an organization to see how it needs to change and where?

0:31:43 KS: Culture in itself needs to be a topic on the agenda. A big one, actually.

0:31:47 KL: So, what do you observe in that when you say that? How would you be able to characterize elements of culture and how a PM would be able to identify what their culture is, and therefore that'll help them understand what has to change?

0:32:00 KS: This is the interesting part or the difficult part also of culture. It's not something... Someone in it can hardly describe it, because you're so part of it, whereas someone from outside has a better view on the culture, and it's very easy. If you go for a job interview somewhere, you enter an organization and you get a sense of the organizational culture just by how the organization stages itself, posts online, seconds when you enter the lobby, then when you have a walk through the office, if you start talking to people, and you get a sense of the organizational culture. And you see things that people part of that culture don't see anymore. So as a PM being part of a certain culture, it's really difficult to see what cultural aspects are brought to the fore and which ones to pay attention to. It's generally a recommendation to get someone from the outside who has a neutral view and can see all the organizational cultures brought together, and see where there's gaps or where there's overlaps. There's always gaps, but there's also always overlaps. Now what we tend to do is, we tend to focus on the gaps, whereas my recommendation always is to focus on the overlaps, because those are the bridges that you can build on. Those you can use in starting a collaboration together and working together, and then once you get these strong bonds, you can discuss together how you'd fill the gaps.

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0:33:34 KL: When you talk about gaps between two or overlaps between two, what would be some examples? What is an example of culture that it would be something somebody can identify?

0:33:43 KS: Cultural aspects you mean?

0:33:44 KL: Mm-hmm, cultural aspects.

0:33:46 KS: We've been talking about hierarchy. Another one would be time, how people deal with

time. What time means for example, or what a deadline means basically.

0:33:58 KL: How's that for a...

0:33:58 KS: For example, some organizations a deadline is strict and fixed, and for other organizations, a deadline is very fluid and just a date somewhere in the future that you have to have a task somewhat finished. Communication is a topic, because how people communicate to each other. Celebration is then part of that, like what do we celebrate, what do we not celebrate, and that also... That also connects to the rituals in an organization. Are we used to saying hello to everyone when we enter the office, or do we just enter the office and then go sit behind our desktop and start working? Dress code is a topic. Leadership, like how do we lead people, how do we develop people? Do we develop people in the first place?

0:34:43 KL: There's also professional cultures. It strikes me that the project managers themselves, no matter what nation in the national culture level, or what corporate level, there's some common standard.

0:34:57 KS: Yes, I would say there's a professional culture that exists, and I actually think you speak the same language. There is a certain way of understanding that project managers have.

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0:35:13 KL: I saw that was an interesting publication you had on these. It looked like the spatial effects on a Megaproject, when was I reading...

0:35:19 KS: Yeah, the spatial settings.

0:35:21 KL: What was that about?

0:35:22 KS: It's about the influence of space or the use of spatial settings in cultural collaboration, and in projects in general. For example, in the Panama Canal, the canal is 80 kilometers long. This is not far in distance. You agree with me? And so there's an office on the Atlantic side of the canal and one at the Pacific side of the canal. And there would be differences between those offices, and it would actually create subcultures within the organization, simply because that Atlantic office, which was 80 kilometers further away, seemed to be far away, disconnected from the head office. Head office wouldn't often go to that office either, because people would feel it's far away. It was an hour and a half drive. So people were not used to build that connection, and so this kind of spatial setting was creating a gap between their offices and disconnecting, or making collaboration work very difficult.

0:36:26 KS: Another example of spatial setting is how we have organized our offices. What I saw in the Panama Canal office is they work in cubicles. And coming from Europe, the only place I see cubicles is in call centers. So I was taken by surprise really, and I thought that was a whole different way of creating a team, or not a way of creating a team maybe. And that's not entirely true, because in many places it did work out well.

0:36:56 KL: People will adapt to what is successful for them, so there's this kind of constant adaptation to what you need in your local setting.

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0:37:08 KL: So did you see change when you saw five years of Panama Canal Megaproject? Because you were able to observe at many levels and perspectives of the organization itself, and you were there over a period of time. How did this end up playing out?

0:37:21 KS: Yes. So in the beginning, it caused a lot of issues and conflicts. In the beginning, collaboration was not easy due to many things that we have discussed today. But I have to say that over time, and also due to several changes that took place, both in communication and leadership, in just general understanding of who we were dealing...who people were dealing with. People learned to actually focus on the collaboration and the value of it. They also saw the need for collaboration and the need for working together, because only then they will be able to complete the project. So it took quite some time to get people aligned. And I can't say that everything and everyone was aligned, but the project did complete, so they were able... This is a clear example that they were able to align themselves enough to give the results that was required, and that was a functional Panama Canal.

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0:38:33 KL: As an outsider, when you were looking at it, and as a student, what did you see that you felt would have been a good change? Because that's something that somebody could have consciously undertaken.

0:38:43 KS: Just acknowledging the differences in organizational culture that exist, and learning about the similarities, would have helped so much at the start of the organization. So putting culture anywhere close to the top of the agenda... I know in project management, everything is a priority, and I know time is pressuring, but I strongly believe that if culture is taken into account, and people are aware of the differences and the similarities that are brought together in the project, and work on the similarities, they can start off a lot better.

0:39:20 KL: Yeah, you talked about the overlaps instead of the gaps. We like to see the differences. That's easier for us to see maybe even.

0:39:25 KS: It's easy, and we do that all the time. We use language, "It's us versus them," "They are better," or "We are better than them," or... Basically if we complain about them, that says something about us, right? So we tend to talk and create these different groups whereas, especially in a project, we're one group, and we need to work together, get to know each other, interact together, learn from each other, to create this synergy and enhance collaboration among us.

[music]

0:40:01 KL: What does a 21st-century project manager working on complex projects in a global environment need to know about national culture?

0:40:09 KS: I don't think it's the most important aspect of culture and project management. I think organizational culture is a lot more important. We started talking about culture in business because we were doing business abroad, across borders. This is ages ago. This is way before the Internet,

#46. Change Management

and before low-budget flights, and before everything that connected us so easily across the globe. When we started doing business across borders, we started making cross-national comparisons of national cultures. At that time, we would believe that a culture equals nation. So that I, for example, I have a Dutch passport, that would mean that I am part of the Dutch culture, and that I'm part of the Dutch culture alone. And so whatever stereotypes we basically have on the Dutch culture would relate or be connected to me.

0:41:02 KS: The goal of this cross-national comparison was to understand the cultural barriers, because it was the first time we would start to work across borders. Well, now, the view on our culture in business and in project management has changed. We've gone from this cross-national comparison perspective, we've gone to a perspective that was generally known as intercultural interaction, so where it was focused on the individual and where culture was viewed more as a social construct. We understood that organizations had a culture. And we started to become more qualitative when studying culture.

0:41:43 KS: However, now there is a perspective called multiple culture perspective, and I truly follow that perspective. I was educated with that perspective on organizational culture as well. And that perspective says an organization is a culture, meaning that employees develop a shared set of assumptions within the organization. It also says we should stop taking snapshots of a country's orientation. We have to look at the individual, and we should consider that we are all part of different cultural groups. You could basically say that we are hybrids. Every single person is wearing several cultural hats.

0:42:23 KS: Now in a project, let's relate this to project management, everyone in the project should feel that it has or it's wearing a hat of the project, the project hat, the project culture. And as a project manager, I think you play a big role in developing that feeling and that culture.

[music]

0:42:46 KL: So when two groups come together to work on a project, it's important to look for similarities more than the differences, and to use those similarities to establish a common ground. Whenever possible, try to keep some kind of continuity in personnel when you move from project planning to project implementation. You can find Karen's thesis, "Cross Culture Work: Practices of Collaboration in the Panama Canal Expansion Program," on amazon.com.

[music]

0:43:21 KL: Luis Cáceres is an author, coach, and change manager. He currently works for the government of Santiago de Cali in Valle del Cauca, Colombia, where he's in charge of change management advisory activities. His goal is to improve the effectiveness of various projects to ensure lasting transformations. Luis has had vast experience in mergers and acquisitions, or M&A, and was involved with two of the biggest M&As to date in Latin America.

0:43:49 KL: What level are you consulting to as the mergers and acquisition team?

0:43:52 LC: All the levels. We are top-down. Usually we start at the first level. From the first level, the C level, you need to apply the project top-down. Actually I can tell you about some common myths, because one myth is believing that the resistance and the behavior is different according to

#46. Change Management

the level of the company. It's no different, the C level is not different than the worker.

0:44:19 KL: Interesting.

0:44:20 LC: We need to address the behavior of the resistance, the anger, the fears in all the levels. I have an acquisition in Argentina where the CEO was away. I cannot reach them for two weeks, because he was in depression. He was in the resistance phase.

[music]

0:44:45 LC: The project team we call integration management office, IMO. You have directors, you have the managers, and you have specialists, and even they – they are conducting the merge, they're afraid about their jobs, about their changes, about moving another city, including moving from one office to another. You have a big office, now you have a small office. A lot of things. You are conducting a project, an integration project, that affects thousands of big projects. So you need to apply formal tools, understanding key concepts that will help you to mobilize, to make the people work. You need to move the people from one state to another, understand how they think, how they feel. You need to show them path. You need to motivate and engage the people to follow that path.

[music]

0:45:52 LC: 50% of the M&A projects, you lose money, you destroy the value. There is an intention to increase business and value by joining two companies, but what happens is, in half of the cases, you destroy the value that the company has before the merge.

0:46:12 KL: That is stunning, 50% of mergers and acquisitions end up in a reduction of value, not just a reduction in cost and maintenance of value, but rather a reduction in actual value. And you're saying that the major part of that failure has to do with the behaviors of the merged organization, the resistance to change and concerns of change.

0:46:28 LC: Yeah.

0:46:30 KL: Do you observe the resistance always, and is it generally the same kind of resistance? Are all of these really the same in the end, or do you see some categories of the types of resistance?

0:46:42 LC: It's very common, because that is a natural behavior. We are behaving in a similar way. What is different is how much time you're spending in each phase of the psychological change queue, and how you express that. There is people who get angry and scream. Some people get quiet and don't say anything. Some attitudes I call the five sin... Deadly sins of the project manager.

0:47:14 KL: Yeah?

0:47:15 LC: There's abstinence, ignorance, fraudulence, arrogance, and over-ambition.

0:47:20 KL: Here, Luis is referring to the CHAOS manifesto by the Standish Group, which cites five behavior traits that executives must overcome to achieve project success: Abstinence, ignorance, fraudulence, arrogance, and over-ambition.

#46. Change Management

[music]

0:47:40 LC: And also I explain some common situation like, for example, the professional myopia, the professional myopia that affects all kinds of projects, and it is also true for the M&A projects. So, for example, when you underestimate the importance of the task work stream, you are incurring professional myopia. Because if you are an executive from financial, from IT, from another work stream, and you underestimate all of those things you are incurring the phenomenon, and you incur also the tendency of the arrogance and the ignorance.

[music]

0:48:27 LC: For example, imagine that you need to move people from one side to another in a bridge.

0:48:33 KL: Yeah.

0:48:34 LC: And what the project manager say, just close the bridge. It doesn't work in that way.

[laughter]

0:48:43 LC: So in my webinar the metaphor I use is Napoleon asking to the soldiers to cross the bridge. And it is not so simple. They don't do that just because he is the commander in chief. They could just shoot him and walk away. Right?

0:49:00 KL: Right.

0:49:00 LC: So why they don't... Why they don't shoot the commander? Because the reason... They have their own reasons to cross the bridge. They are committed with the cause. They are engaged and they admire and respect their leader. So, if in the company, when you implement a system, a new system, the people resist because nobody asked them if they like it, what they think, how they feel about the changes in the new system. They never get involved. And you don't ever get involved also the customer or the providers and they feel like betrayed husbands. So we need to understand how you motivate and engage the people and how to implement that into your project.

0:49:47 KL: This sounds like a lot of active listening. The idea that you're trying to kind of almost pull the requirements of people's concern, what it is that they need and what it is that motivates them.

0:49:56 LC: Well, any project that includes changes, you need to listen to people what they need to see how they feel. Just by listening you will increase the engagement of the people.

[music]

0:50:13 KL: You talked about the loss of value doing a merger and acquisition. So what is the direct link to the improvement in value of the operation of the new company though, the merged company. So people are resistant, so what? How does this end up creating the value destruction?

0:50:28 LC: Let me explain with a case of the two airlines. The one Brazilian and the one Chilean

airline which merged, and was expected to become the second largest airline in the world.

0:50:41 KL: Okay.

0:50:43 LC: And after some years, the value of the company was less than the individual value of each company. What happened? You have one company with different processes, different tools, different culture. So one company processes 2 million tickets monthly, and the other has 800,000 a month, using more people than the company who processes 2 million per month. They have also in the merge, it wasn't in the processing through work streams. Because of the resistance, because of the fear of losing their jobs, they suggested to keep two BI systems. You never have a company with two BI systems, so that kind of thing in the practice starts to destroy the value.

[music]

0:51:51 LC: Also what happened more you are merging a company where the customer identification, for example, in the system has 12 digits and in another system, the other company 18 digits. You need to start to integrate that process. And what's typical... Okay, one common mistake. Maybe you acquired a new system. A new system will imply years, billion dollars, million dollars investment, when you can fix the problem with simple integration or simple workarounds. Also, and that's a very common situation when you start to lose money, because in that integration what happen is you are affecting the business continuity. So the providers are not paid, the requests, the procurements are not performing, the customers doesn't know how or what to do and many customers prefer to change the provider and so on.

[music]

0:53:05 LC: Or even you have a lot of surprises. For example, a company acquired an item in Brazil and realized that they need to perform some modifications and delayed the design. That cost them a billion dollars and they realized that when it was delayed. Another company from solar windmills they bought a company. Okay. The numbers are okay but when they look to the operation, they realized that they bought themselves a solar windmill company in Argentina who just closed their doors.

0:53:44 KL: Is that your issue of the ignorance of the people that are involved from a PM perspective?

0:53:48 LC: Yeah. Why they don't look to the details? Because they are over-confident, because they underestimate the complexities because they underestimate the other areas, we don't need to listen to the engineers...

[music]

0:54:10 KL: How do you experience the effectiveness of your advising?

0:54:14 LC: One case is when they are happy because the operation was not affected.

0:54:20 KL: Yeah.

#46. Change Management

0:54:21 LC: You implemented the change. You don't lose customers, you don't lose money. You can measure this in business continuity... They are happy because you don't have the troubles, or that the troubles don't represent losing value, or losing money, or losing anything.

0:54:39 KL: And they give you that feedback?

0:54:41 LC: Yeah, that's our end result.

[laughter]

[music]

0:54:49 KL: What are the broader lessons you see for project managers as they engage in any project? Because I guess all projects ultimately involve change, right? You're creating something new that wasn't done before.

0:55:00 LC: The first is to listen, also you need to communicate. Metaphors are very helpful for you to engage people and to communicate the view of the project, and the intention of the project to help to embrace the change.

0:55:13 KL: Metaphors and examples from history can be used to motivate stakeholders.

0:55:18 LC: You can use the Samurai metaphor. The Samurai was a great soldier, but after the invention of the fireguns, they became obsolete, they needed to change.

0:55:30 KL: He also recommends having a communications scheme.

0:55:33 LC: Because sometimes you will have resistance from powerful people.

0:55:38 KL: Yeah.

0:55:39 LC: So, for example, I have the CIOs and CFOs, who were retired military, veterans, even from the US Army. They are very competitive, also arrogant, and a strong personality. How could you influence that kind of people?

0:56:03 KL: Right.

0:56:03 LC: You need to... For the people to work in some direction in favor of the project. So, you need communication strength to address that.

0:56:11 KL: So, improved communication generally, and knowing your audience. It sounds like it's communicating with the type of audience that you are engaging with.

[music]

0:56:22 KL: So to what extent do you see people's own perception as playing in, once you are in the professional space in something like this. You know, the traditional cognitive bias problem. Is that something people trip over just in the context of communication, or is it even more broadly,

how people are going to be willing to undertake the project?

0:56:43 LC: For example, they are under a lot of stress and pressure. So one common problem is that they embrace the first solution they find. And they move with that solution, and later don't want to leave that solution. But they start with a wrong path and keep on moving in that wrong path. That is very a common situation.

0:57:04 KL: That's kind of human nature, what Luis describes here. Picking a path and then continuing down it, even though it becomes apparent that it's the wrong path. That's why project managers are needed to help steer these organizations. Luis also describes another tendency, making things more complicated than they need to be.

0:57:21 LC: The situation that... Developing a solution more complex than they need is also very common. Like I told you, to fix the one problem, they decide to buy or find a new system a new ERP. Well, you can fix that with more simple solution or more simple approach.

0:57:44 KL: So, people tend to complexity. Do you think that's because it seems so ambiguous to them, the solution, and so they assume complexity? What is it about us that makes it harder, that you're observing from a project perspective?

0:57:56 LC: Because it's very common that, okay, now we are changing this. Let's fix this other problem. You open a door with your project and everybody want to enter to suggest new changes, new process improvement. So, you lose the control of your scope.

[music]

0:58:14 KL: Did you hear that PMs? Managing change ineptly can measurably destroy value. It might be hard to see that, or to measure it when you're talking about change within one company. How do you measure a hypothetical alternative? But it's obvious in the case of mergers. And Luis is clear, 50% of mergers destroy value, often due to problems that result from organizational mismatch, which goes unaddressed or is ineffectively addressed by management. There is no single recipe to handle change. But, as Luis points out, there are several areas that PMs need to monitor to keep the transformation on track. All levels of the organization need to be addressed, from the C suite on down, through effective communication and identifying how the various work streams will be affected, PMs can help mitigate the pain and anger that bubble to the surface in response to change and the change process.

0:59:03 KL: You can find Luis' webinars at Global GMI Partners. Go to gpmip.com and click on Blog, under the Thoughts and News tab.

[music]

0:59:15 KL: One common thread we've heard throughout this episode, and in many previous episodes as well, is the importance of listening. Engage your stakeholders, listen, and if possible, accommodate the resisters. When two organizations come together, focus on the commonalities, not the differences. For acquisitions, try to preserve key cultural aspects of the organization you are acquiring. Because most likely, therein lies its value. An important ingredient that project managers bring to the table is objectivity. Ultimately it is you, PMs, who must set the cultural tone which

#46. Change Management

allows for change to take place.

0:59:52 KL: Special thanks to my guests, Yves Cavarec, Karen Smits, and Luis Cáceres.

0:59:57 S5: Our theme music was composed by Molly Flannery, used with permission. Additional original music by Gary Fieldman, Rich Greenblatt, Lionel Lyles, and Hiroaki Honshuku. Post-production performed at M Powered Strategies.

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1:00:55 KL: I am your host, Kendall Lott, and until next time, keep managing change and get it done.

1:01:01 S5: This has been a Final Milestone Production, sponsored by M Powered Strategies.