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FAST COMPANY

How Smart Business Works

April-May 1997

CHANGE

YOUR JOB
IS CHANGING.
YOUR COMPANY
IS CHANGING.
YOUR BUSINESS
IS CHANGING.
WHAT ISN'T
CHANGING?

THE 10 LAWS
OF CHANGE.

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Can't We Change?

LIFE INSIDE BIG COMPANIES CAN SOMETIMES FEEL STUCK. THE whole world is streaking toward the 21st century—and your feet are planted in concrete! Can't we crank up the clock speed in this place, shift gears, move faster? *Can't we change?* Life inside young companies can sometimes feel frenetic. Other organizations have well-defined processes, smart routines that actually work! Can't we ever do the same thing twice? Who pulled the alarm for this fire

drill? Can't we get a little organized? *Can't we change?*

If either lament sounds familiar, then familiarize yourself with this issue of *FAST COMPANY*. You'll find examples from both sides of the great can't-we-change divide. You'll also meet people who are hard at work making change, discover best practices for changing yourself, and visit unconventional companies that understand how to pick up the pace and keep in step.

Change comes from diversity, and diversity is one of the core values of *FAST COMPANY*. People in our community come from companies large and small, fast and slow, young and old. But while their organizations and experiences may differ, the people share a common trait—an appetite for change, a hunger for learning, a genuine passion for making a difference. We want to provide the forum where people who have much to share, but nowhere to meet, can come together and learn from each other.

Start with the world of big companies. Siemens Nixdorf and U S West are corporate giants wrestling with the fundamentals of transformation. By chronicling their cutting-edge efforts, we can all learn **The 10 Laws of Change That Never Change** and study **Bob Knowling's Change Manual**—lessons that apply to virtually any organization.

Compaq, Autodesk, and Xerox offer a different kind of instruction—the value of introducing younger people into older companies. Each of these big companies is experimenting with change, searching for ways to get in touch with the future before it arrives. Their experiences are a reminder that **The Future Is Younger Than You Think**.

Now enter the world of the young and the fleet. Pay a visit to Hull Trading Company—a Chicago-based securities firm that uses technology, teamwork, and relentless innovation to outsmart its rivals in the options and futures markets. Hull's performance over the last few years demonstrates that if you're in a **Risky Business, Sound Thinking** is your sharpest weapon.

People in companies of all sizes seem to be facing

a common reality: work is more demanding, competition is more fierce, human interaction is more intense. That means that emotions are more likely to erupt. Business advisers Peter Naylor and Claire Crittenden have created a revolutionary approach to dealing with emotions, the last taboo of organizational life. Their program is designed to help people **Escape from the Red Zone**, the destructive and manipulative place that "management" too often seems to occupy.

Finally, if you're looking for organizational lessons that cross all the traditional lines—and apply to every business—take a look at the Los Angeles Dodgers. In a world where talent counts for everything, the Dodgers have an uncanny knack for finding it: the last five Rookies of the Year in the National League have worn a Dodgers uniform. In **He Breeds Dodger Blue**, Charlie Blaney, VP of minor league operations, offers the inside pitch on how to find, sign, develop, and promote the best in any field.

No matter how many fascinating organizations we discover and decode, *FAST COMPANY* will never lose its focus on the unit-of-one advice everyone needs to keep learning, leading, changing, and succeeding. This issue offers useful, hands-on advice on **How to Globalize Yourself**—seven practical strategies to build your personal portfolio of global skills. You can learn **How to Watch the Web**, tuning in the much-celebrated "push" channels that bring the best Web programming straight to your desk. To design your own **Power Trip**, you'll need to choose the right technology toys and tools that fit your work style. You can even take a **Golf Course**—a thoughtful lesson on how to withstand the pressures of competition on the fairway or in the office, taught by Butch Harmon, personal coach to Tiger Woods.

All of this, plus a chance to meet Net visionary Michael Saylor, TV news reinventor Steven Rosenbaum, and other change agents in our growing community—people eager to make the *FAST COMPANY* connection who live on both sides of the divide.

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Stop for one minute and look around. What do you see? Every corporate giant says it wants to change. *Few can do it.* Every young company starts as a natural force for change. *Few can sustain it.* Every organization has people who think they want to be agents of change. *Few can survive it.* Look at each new chapter in the unfolding business revolution of the last 10 years, from Michael Milken's financial engineering to Michael Hammer's organizational reengineering, from corporate restructuring to acquisition fever, from intrapreneuring to startup mania. One dynamic links them all:

CHANGE

BY CHARLES FISHMAN / ILLUSTRATIONS BY AMY GUIP

IT'S NOT THAT THE BUSINESS ENVIRONMENT IS CHANGING. Change is the business environment. And it's not that every company is undergoing change. Change has overtaken every company. Creating change, managing it, mastering it, and surviving it is the agenda for anyone in business who aims to make a difference.

Even change has changed. The idea of "change programs" is mocked as "flavor-of-the-month" corporate faddism. "If you come in and announce, 'Here's the next change program,' you're dead," says U S West's Bob Knowling, a seasoned change agent. "You've just painted a target on your chest." (For Bob Knowling's Change Manual, see p. 76.)

Instead of an external program, change today is intrinsic to business, an integral expression of how any successful business operates. It has escaped the narrow confines of human resources—or any other department or function—and become an issue of personal responsibility.

You can find people who make change today throughout the organization. They are change agents—but only as a way of working, not as a discrete job. They have real jobs, real work—and driving change is built into how they do their jobs. Creating change is a skill. But getting things done and moving the business is the passion.

We looked for an example of a large, powerful company in the grips of change and found computer giant Siemens Nixdorf (SNI)—an extreme example made more instructive by its extreme dimensions. Born of the combination of old, established, slightly stodgy Siemens, and young, entrepreneurial, slightly reckless Nixdorf, SNI emerged five short years ago with almost everything going against it—despite, or because of, its heritage. Headquartered in Munich, Germany, the DM15 billion company found itself competing in one of the fastest changing global industries, operating out of a slow-to-adapt European market, and carrying the baggage as Germany's national champion.

Enter Gerhard Schulmeyer, SNI's CEO, schooled in the United States where he ran ABB's operation and learned first-hand the lessons of fast-paced change. Within months after taking over the leadership of SNI, Schulmeyer launched Europe's most ambitious corporate overhaul, a cultural transformation to remake the company. He recruited Mark Maletz, a veteran change agent with experience at Xerox, American Airlines, and Citicorp, to invent a school for change, training a cadre of change agents who could, like a virus, infect the host company. But these were not to be recruits from the "soft side"—human resource professionals looking for a new assignment. Instead, Schulmeyer drafted the young and the restless within SNI, hard-charging businesspeople from the field who cared about the company's future, who could be trained in the art of change and then injected back into the stiff, slow-moving, hierarchical SNI culture—with the promise that they'd make a difference.

It's an approach that's worked for other large companies, some in Europe, such as Royal Dutch/Shell, some in the United States, such as General Electric and Ameritech. In SNI's case, the company has moved from a DM2 billion loss on DM12 billion in revenue 1994 to a DM50 million profit on DM14 billion in revenue in 1996. Just as important, the "change virus" strategy both offers broad lessons in change and underscores the personal stake required to make change happen. From the experiences of Maletz and the SNI change agents as well as dozens of

others skilled at making change happen, we've compiled a handbook—10 Laws of Change that you can use to gauge your development as a change agent in an era of total change.

1. CHANGE BEGINS AND ENDS WITH THE BUSINESS—NOT WITH CHANGE.

"While I was at Ameritech," says Bob Knowling, who ran the Ameritech Institute that trained change agents, "our CEO made it clear that this wasn't change for the sake of change. We had to make the business perform. He took that stock from 36 to 92, it split, and when I walked out the door to join U S West, it was back up to 63. That's because the CEO embraced and led change."

There's a reason so many people are cynical of canned change programs and distrustful of the "change weenies" sent to administer them. It's the same reason so many change programs fail: They have nothing to do with what really matters in the business. And they're run by people who don't understand the business. For change to take hold in an organization, it must be linked explicitly to real performance goals, and it has to be in the hands of people who understand the business first and change second. That's precisely the model that Maletz designed for SNI: each candidate in the change agent school must have a strong project, clearly linked to one of the company's strategic goals, and supported by a senior executive.

Change agents who understand how their work connects to the business aren't much different from innovative managers. "People like that have concrete objectives that they want to accomplish over a set period of time," Maletz says, "and those are the things they hold themselves accountable for. Any agenda for meeting those objectives is going to require change of some sort." The difference is that change agents do more than simply check off their list of accomplishments: they focus on how their accomplishments affect the organization's operation. "It's not just whether you meet your hiring requirements on time," Maletz says. "It's whether the people you've hired

will keep driving the company."

2. CHANGE IS ABOUT PEOPLE. PEOPLE WILL SURPRISE YOU.

If you read the literature, change comes across as a remarkably bloodless activity: establish a vision, design the program, paint by the numbers.

We interrupt this program to deliver a dose of reality: it doesn't work that way. In the real world of change, leaders desert you, your staunchest allies cut and run, opposition comes from the places you least expect, and your fiercest opponent can turn out to be your most vital supporter. In other words, when emotions are running high and the stakes are even higher, people act like people.

Here's how Knowling describes the first step of his own transformation from reluctant participant to change agent. Called to a gathering of Ameritech's 70 top executives, Knowling learned that each team member would evaluate the others—and then the rankings would be shared. "I've never been more afraid in my life," says Knowling. "I felt it was a bad process." He tried to subvert the process, going to the team leaders and lobbying them to short-circuit the assessment. Before the night was over, he was sure he'd won.

"The next morning," Knowling recalls, "I got a rude awakening. One

THERE'S A REASON SO MANY PEOPLE ARE CYNICAL ABOUT CANNED CHANGE PROGRAMS AND DISTRUSTFUL OF THE "CHANGE WEENIES" SENT TO ADMINISTER THEM: THEY HAVE NOTHING TO DO WITH WHAT REALLY MATTERS IN THE BUSINESS. CHANGE HAS TO LINK TO BUSINESS RESULTS.

THE SCHOOL FOR CHANGE AGENTS

Lesson 1: Swamp as School

In the middle of the Florida Everglades a group of pale-skinned, white-collar high achievers from a German technology company is floating along in canoes through the sawgrass and sun. The group leader announces that this is where they will make camp: afloat, in the middle of the swamp.

"We didn't expect that," says Roland Polte of Siemens Nixdorf (SNI). "We were in the canoes, mangroves all around, just sitting there saying, 'Shit.' We had to build a platform where we could eat and sleep and not get wet. But that was one of the big lessons—if you're under pressure, and you have a target, you get it done—and fast."

Lesson 2: School as Swamp

Switch to a conference center on the outskirts of Boston in the depth of New England winter. The high achievers from SNI are being tutored in the art of change. "Tutored" may be too gentle a word. The two dozen young businesspeople are being led, blitzkrieg-style, through the latest American management concepts, from finance techniques to marketing strategies, from team-building methods to technology applications. It's a two-year MBA compressed into four weeks of twelve-hour days, with a couple hundred pages of reading required for each day's classes—all in English.

Each year for the last three years, SNI has selected a class of "change agents," lifted them from their normal duties, and put them through a year-long program. The goal: to teach them advanced business concepts, to expose them to U.S. business practices, to show them how to look at their jobs as continuous opportunities for innovation, and to return them to the midlevels of SNI as forces for constructive skepticism, entrepreneurship, and leadership.

The program was designed and run by Mark Maletz, a U.S.-based consultant and a long-time architect of change efforts who is working with SNI's CEO Gerhard Schulmeyer. His SNI school for change agents is a series of interlocking elements spread across two continents:

- Before being accepted into the program, change agents must propose a change project from their part of the company that is strategically significant to SNI's future.
- Change agents must engage a senior management sponsor and get a commitment from that sponsor not only to pay the costs of participation in the project (including the change agent's salary and six weeks of travel in the United States), but also to absorb the costs of the change effort.
- The senior SNI executive must commit to making that change project one of his or her top three priorities during the year.
- To support the project, Maletz and SNI have engaged McKinsey & Co.'s change center, working with it to develop classes and engage instructors for nearly five weeks of intensive, MBA-style seminars. McKinsey also provides coaches, offering experienced outsiders to whom the change agents can turn for advice.

One of Maletz's favorite training exercises teaches the change agents how to read a cultural situation: During their time in Silicon Valley, the change agents go out in small groups to a half-dozen small bars, each of which has a distinct personality. "They go out drinking anyway," says Maletz. "So we send them to a bar where people go to be seen, a bar where people do deals, a techie hangout, a drop-out hangout. It's a way of giving them a new lens on the culture—the difference between Silicon Valley and Munich." Between nights in the bars, Maletz brings in a social anthropologist to help the change agents understand what they're seeing and to look at the bars with fresh eyes the second night.

One group got in a bit of trouble at a bar in the hills of the Bay Area. A change agent found a beer-bottle cap sitting on the edge of a pool table. Being a good German, he swept the bottle cap into the garbage—sending a retired IBMer into a tantrum over the loss of his "lucky bottle cap." The Germans, puzzled, scoured the garbage but couldn't come up with it.

The next day, when the anthropologist explained the significance of the good-luck token, the Germans determined to redeem themselves. They returned to the bar the second night with a peace offering: a six-pack of the brand the bottle cap had come from. —CF

of the leaders came up to me and said, 'Trust this process.' I said, 'What are you talking about?' He said, 'We're going to do the assessment.'"

It was even more traumatic than Knowing had expected. "During the process some people lost it," says Knowing. "Some who got great marks felt guilty. I've never had an undressing like that in my life."

But Knowing also found that the assessment process was a great experience. "It built the team far greater than anything we could have done. When I realized that, I stood up in front of the whole group and said, 'I was wrong.'"

Later, when he headed up the Ameritech Institute, Knowing relied on the assessment process he had so vehemently opposed. "I'd explain that the importance of the ranking was to get people used to a culture where you can have differences on teams and learn from those differences." From its biggest opponent, Knowing became its most ardent fan.

Klaus Karl, a change agent in Maletz's SNI program, experienced the flip side of the human surprise factor. Wooed into the program to keep him from leaving SNI, Karl read in the newspaper during his Christmas holiday that the senior executive supporting his project had left the company. A few weeks later, he learned that the second executive supporting him had retired. When he met his third sponsor, he got the distinct impression that the man had little interest in his project. At this

point, Karl faced a dilemma: do nothing and coast through his year, or deal directly with the lack of support.

"I wrote him a direct letter," Karl says, "saying that if the project didn't fulfill his needs, I'd like to stop and spend time on something of more value to him, the company, and me."

His new sponsor was surprised—and equally candid. "He replied, 'You're right. You've caught my feeling about the project correctly,'" Karl says. Within days, he abandoned the project and designed a new one dealing with the Internet that his sponsor enthusiastically supported. "If I hadn't asked," says Karl, "he never would have stopped me. I would have done a project that no one cared

about, and my whole change agent year would have been a waste."

3. THERE IS INFORMATION IN OPPOSITION.

Like a law of corporate physics, when people hear that someone is going to "change them," they have an instinctive reaction: resistance.

"Just because someone resists you doesn't mean you're right and they're wrong," says Maletz. "There's often information in resistance. People get so involved in their change efforts, when they encounter resistance they immediately make the other people the problem."

David Clarke, 35, who heads the information technology team at W.L. Gore & Associates, the maker of Gore-Tex, can attest to the notion that listening to resistance can produce smarter change. Given the task of introducing a new manufacturing system in one of the company's East Coast facilities, Clarke faced skepticism from the engineers and manufacturing associates on the plant floor. "It's human nature to resist change," Clarke says, "but they also had a sincere desire not to mess up things that were working."

Clarke's response: listen to the opposition. "Each of those people had a body of knowledge about how the equipment worked and how to produce the best products they could," says Clarke. "Their concerns



MARK MALETZ (FRONT), WITH THE SNI CLASS OF '97. IT'S A TWO-YEAR MBA SQUEEZED INTO FOUR INTENSE WEEKS.

Research here and mail today

weren't unfounded. We ran a lot of simulations and built a lot of prototypes. We rejected many ideas that would have hurt the product. What helped us turn the corner was having good discussions about the opportunity to make the product even better. As we went through it, we achieved more buy in. It snowballed."

4. THE INFORMAL NETWORK IS AS POWERFUL AS THE FORMAL CHAIN OF COMMAND. AND YOU GET TO DESIGN YOUR INFORMAL NETWORK.

Every company has the official organization chart—and then there's the way things *really* work. It's the informal network that's the change agent's source of influence. Once you begin to appreciate how critical that invisible, informal network really is, you can begin to design your own—keeping an eye open at conferences and company gatherings for people who share your commitment to change, exchanging business cards and email addresses, and taking advantage of every opportunity to enlist new allies whose help you can count on—and who can count on you.

Gore's Clarke understands this principle implicitly—because Gore has no formal management hierarchy, no bosses, no managers, no reports. "Networks are very important, especially for building credibility," he says. "We have leaders, but they're not appointed. You're a leader by having followers. People have to be able to trust you, and networking becomes the way you build that trust. Once you have it, you can initiate change. There are no top-down edicts here. It's all informal, based on building your network."

At SNI, one key point of the change agent program is to build an informal, self-organizing network within the stodgy, hierarchical company. When Knut Aasrud, manager of SNI's software group in Norway, heard from a large engineering customer who wanted to extend the use of some software from Norway to Australia, he simply called Gerald Huang, who covers Australia for SNI. "He said, 'Thanks for the lead! I'm off to see them,'" Aasrud says.

It took one phone call to solve a transoceanic problem. Aasrud says that if he'd gone through formal channels in the Australian division, chances are the customer would never have gotten help. So how did he know to call Huang? The two met during the year they spent together in the SNI change agent program. From that experience, they not only knew each other—they also knew they could count on each other. That's the kind of power the informal network has to get things done.

5. YOU CAN'T DRAFT PEOPLE INTO CHANGE. THEY HAVE TO ENROLL.

Unless you are the CEO and in a position to compel people to perform, change is not a compulsory exercise. In fact, even if you *are* the CEO, and *theoretically* in a position to compel people to perform, when it comes to change, you're liable to create your own worst nightmare: people quit, but stay; people say "yes," but do "no"; people go through the motions, but don't perform.

It's a common mistake among people trying to bring change to sleepy corporate settings—out of zealotry mixed with frustration, they confuse inflicting change with leading it. According to successful change agents, the key to making change happen is to create an environment where people gravitate in the direction you want them to go.

"I call it 'pull, don't push,'" says Arian Ward of Hughes Space and

Communications Co. Ward's responsibilities include exploiting new technologies that allow Hughes employees to collaborate and making sure the company gets maximum benefit from their knowledge. In his six years with the company, Ward has tried it both ways. For a while he worked in a part of the organization that led classic reengineering projects. "It was an experience so painful that I didn't want to be in that position again. I went looking for another way."

What he found is an organic approach to change that can sound almost spiritual. "The best pull I know of," says Ward, "is to make people aware of best practices. They'll naturally use a better way if you make one available." Ward has been applying this technique in the reuse of engineering designs and solutions: each time Hughes designs and builds a satellite, it should take advantage of the innovations, mistakes, and solutions of previous satellites. But in the past, reuse has been haphazard at best because it requires a shift in work style for engineers who are used to sitting down with a clean sheet of paper to attack a given assignment.

There are two approaches to implementing reuse. "One is to tell the engineers they *have* to," Ward says. "Another way is to make it very appealing. You make it easier for them to reuse designs than to invent new ones from scratch. In fact, the reason a lot of reuse efforts fail is that people are given the opposite situation: we make it harder to reuse than to invent."

The experiment has led Hughes to assemble previous satellite designs into an easy-to-use catalog, accessible and searchable through a computer network browser. And it has made a convert of Ward. "I'm no longer in the mode of trying to change people," he says. "I'm in a mode of finding a way to enable them to change. Because it's going to happen naturally."

6. IT'S NOT A CALLING. IT'S A JOB.

Arian Ward's approach to change may sound spiritual. But other change agents believe it's actually a religion. They begin to think they're on a crusade—and they're not only right, but also righteous. Those who resist are worse than wrong; they're heretics.

The most important thing for change agents to remember is: it's just business. If you're going to get something done, you're going to discomfit people around you. You're going to interrupt routines, reveal problems, make more work on the way to making less work. It's hardly surprising that the organization will push back. It will push back harder if you're sanctimonious. And occasionally it will be forgiving—if not cooperative—if you work like a professional.

When it comes to change, sometimes it takes a leap of faith to get things going. Just don't confuse a leap of faith with a religious order.

7. FORGET BALANCE. CREATE TENSION.

"Most managers are uncomfortable with what they don't know," says Maletz. "Change leaders operate that way all the time. In a world that is changing with incredible speed, ambiguity is a constant." Ambiguity defines the work of the change agent: not a comfortable balance, but a dynamic tension between opposing forces.

Change agents have to be able to lead—and follow. They operate as insiders, working closely with teams—and also as outsiders, focused on making change happen. Change agents are simultaneously highly

FRUSTRATED ZEALOTS WHO ARE TRYING TO CHANGE SLEEPY CORPORATE SETTINGS MAKE ONE MISTAKE: THEY CONFUSE INFLECTING CHANGE WITH LEADING IT. TO MAKE CHANGE HAPPEN, CREATE AN ENVIRONMENT WHERE PEOPLE GRAVITATE IN THE DIRECTION YOU WANT THEM TO GO.

visible, willing to stand up in public to rally the troops, and genuinely invisible: turning the spotlight over to others when handing out credit is the best way to advance the cause. They need to be equally comfortable dealing with senior management and frontline workers—because a change agent needs the support of both groups. A change agent must always be in two places at once: where the organization is and where it's going.

At Gore, says David Clarke, change agents think about their work in terms of polarities. "Take insider and outsider," Clarke says. "There are advantages and disadvantages to both. So my approach is to play the role of insider until that doesn't work any more. Then I play the outsider role for all its advantages, until it doesn't work. I can flop back and forth between the roles, taking advantage of each."

According to Clarke, the idea of polarities extends from the individual change agent to a change agenda for the company—a way of keeping a healthy tension alive in the business. "When you can get a computer systems group talking about the polarity between ease of use and security, for instance, you tend to cut down on the religious wars," says Clarke. "You can get people to agree, 'Right now let's put a premium on security. When that starts to feel wrong, let's put the emphasis on ease of use.' The whole company can live between the polarities."

8. NO CHANGE AGENT EVER SUCCEEDED BY DYING FOR HIS COMPANY.

"I want you to remember," says General George S. Patton at the opening of the film *Patton*, "that no bastard ever won a war by dying for his country."

He could have been talking about change agents. "I learned a long time ago," says Bob Knowling, "that a change agent has got to learn

to stay alive. A dead change agent doesn't do anybody any good." In fact, Knowling says, most change agents who do end up dead are "kamikaze pilots" bent on self-destruction.

Maletz agrees. "There's a tendency for change agents to see themselves as pioneers, headed off alone into the frontier," he says. "And what happens to pioneers alone on the frontier? They get shot."

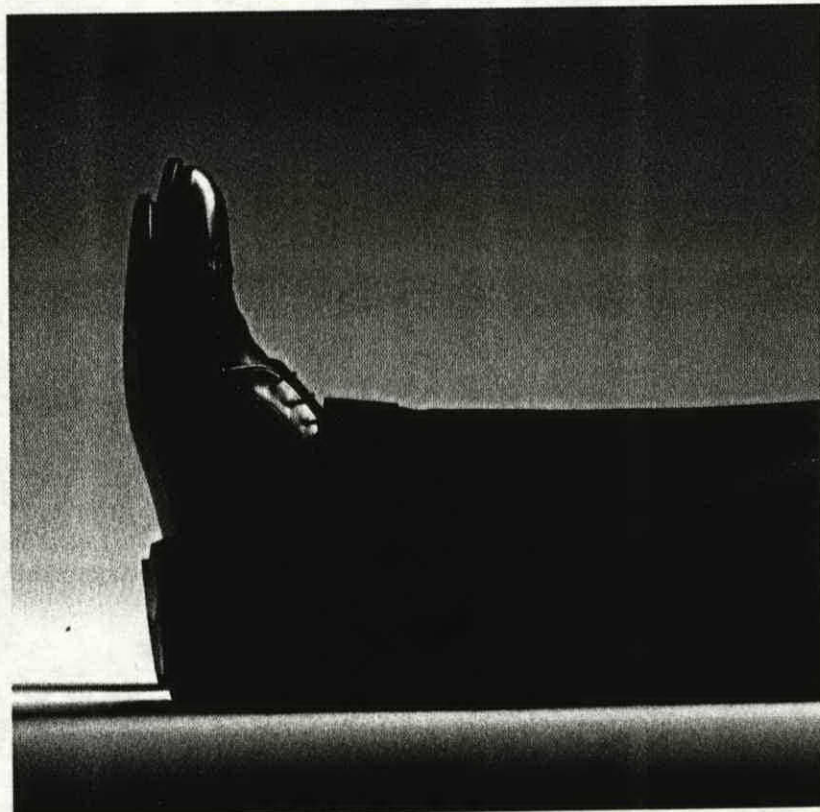
In almost every instance, it comes down to judgment: What's worth fighting for? What's the difference between a skirmish and the war? Maletz cautions that the times when a change agent should go down in a heroic blaze of glory over a matter of principle are very rare.

"Change agents sometimes choose their battles poorly," he says. "They're busy celebrating successes when the war is at risk. Or they're in the trenches fighting for something that looks important, but in the larger sense isn't all that significant."

Only on matters of ethics does Maletz draw the line. When a change agent's personal word and integrity are at stake, a principled stand is the only option. "If you made a personal commitment, for example, that no one would be laid off due to your initiative, and management decides to go ahead with layoffs, then it's okay to get shot," Maletz says. "It has to be that important to you personally to make a stand."

Maletz faced just such a dilemma at Xerox, early in his career. Having launched a pivotal change effort at Xerox's United Kingdom subsidiary, Maletz faced a direct order from a high-ranking executive to shut down the program. He refused, and found himself in a formal disciplinary hearing for "insubordination" with three choices: back down, be fired, or quit. He decided to make it a matter of principle. "I wanted the system to wrestle with the issue of what was more important—some bureaucratic regulation or a key project for reshaping the company."

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The company chose the regulation; Maletz left—and took his change team with him.

9. YOU CAN'T CHANGE THE COMPANY WITHOUT CHANGING YOURSELF.

In any change effort, the first person to change is you. Once you begin to work as a change agent, you're automatically subject to a higher level of scrutiny and a tougher standard of judgment—from those both above and below you. As Bob Knowling found at Ameritech, once he embraced his role as a change agent, the CEO not only came to rely on him more, but also to demand more from him. "I honestly think the CEO was tougher on me and my team than he was on the business leaders," says Knowling. "He also never wavered in his belief in us and his support for us." At the same time, Knowling's new visibility made people watch him even more closely to make sure he measured up.

To do the job also means developing skills and techniques that immediately change how you work. In the course of implementing his project at SNI, Mark Miller, an American with degrees in math and computer science, became his own most important change project. His task involved creating a marketing area where all SNI's financial services were on display, using real computer terminals and ATMs, so banks, financial institutions, and brokerages could experience what SNI had to offer. To pull it off, Miller had to win the financial and technical support of SNI's various divisions. "At the beginning I encountered a large degree of uninterest," Miller says with understatement. Hardware, support, and sales simply weren't prepared to back the idea with the equipment, services, and money that Miller needed.

But he began to make progress when *he* changed. "I was trying to convince people that the way I looked at the project was the way

they should look at it," Miller says. He became persuasive when he asked himself, "What are the people who hear this going to think? How can this idea benefit them?" Today Miller's showroom often gets two sets of customer visits per day. And Miller's "uninterested" internal partners eagerly keep their sections of the display up to date.

10. EVEN IF THE COMPANY DOESN'T CHANGE, YOU WILL.

"Change is what I do," says Gore's David Clarke. "It's what excites me. I try to make a difference. I believe change and growth are linked. I've never seen anybody grow without making changes."

It's true that most change efforts fail. And that most change agents feel squeezed, pushed, and pulled almost daily as they do their work of moving their team, their group, their company out of its comfort zone. And it's still the case that change agents who can master the skills make themselves the most valuable of all employees.

"Companies know intuitively that one of the scarcest resources today is the person who can help them through this period of turbulent change," says Maletz. If that career promise doesn't convince you, consider the alternative: You're not a change agent. You settle in as a process manager—and after you've learned the process, your learning stops. After 10 years on the job, you don't have 10 years of experience—you've got 1 year of experience repeated 10 times. And that person coming to see you is a change agent, who's going to try to teach you how to start learning all over again—so your career won't be over.

In the end, that's the 11th Law of Change: change—or die. †

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AMERICAN
CENTURY.

BOB KNOWLING'S CHANGE MANUAL

The first time I really paid attention to Bob Knowling, he was working late into the night, using all of his persuasive powers to overthrow the work I was doing to help transform Ameritech, the telecommunications giant based in Chicago. Twelve hours later, he was standing in front of the whole executive group saying that he'd been wrong. *That's when I knew he was courageous.* Over the next six months, he played a consistently constructive role in the Ameritech transformation effort—until he was assigned to set up and run the Ameritech Institute. And he resisted that. After a few months on the job, he built the internal change team that reported to the CEO and blossomed as a remarkable change agent. *That's when I knew he was gifted.* Over the next 18 months I saw him engage 30,000 Ameritech employees in community service, shift millions of dollars of Ameritech Foundation money into high-leverage community activities, practice his change skills in revitalizing the Chicago YMCA, and bring his passion to Detroit's Focus: HOPE, the country's largest inner-city manufacturing training center. *That's when I knew he was committed.* I saw him in South Africa, six weeks before Nelson Mandela's election, addressing an audience of blacks and whites—some of whom had never attended a formal talk given by a black man—describing the fundamental tenets of change. *That's when I knew he was farsighted.* I heard him describe his upbringing to MBA students at the University of Michigan—how he was the middle child of a family of 13; how none of the first 6 made it past ninth grade; how he was the first in his family to make it through college—and how every one of his last 6 brothers and sisters followed him into the ranks of professional employment. *That's when I knew he was for real.*

INTERVIEW BY NOEL TICHY PHOTOGRAPHY BY MARK VAN S

He joined US West in February 1996 as vice president, network operations. His new job is to lead more than 20,000 employees in a large-scale change effort to improve service to US West's more than 25 million customers. Bob Knowing is a change agent's change agent, a man who's learned to align all the elements of his character so that, no matter what the setting, he leads change.

When did you finally see yourself as a full-fledged change agent?

My Road to Damascus experience was the day I woke up and realized that I had freedom: instead of worrying about my job, I only worried about never compromising my change agenda. That realization unleashes the real power of the change agent.

This goes back to 1994, when Ameritech Corp. decided to create a pool of fully dedicated internal change agents. I was selected to lead the Ameritech Institute and I was not a happy camper. I'm an operating guy. I wanted to go to the front lines. Intellectually I understood the importance of the job. But man, my heart was in the field.

In the new organization we were creating, nobody had a job. We created the institute first. Then the leadership team, with our help, picked the presidents of the units, and then the officers of those units. It was a reemployment process.

I've been an athlete all my life. My new assignment as a change agent was like the owner of the Chicago Bulls telling Michael Jordan to pick the whole team and design all the plays, and then saying, By the way, you don't get to play.

Meanwhile at the institute I was trying to invent a model that nobody in the world of phone companies is familiar with. We benchmarked GE's Crotonville center, we looked at other best-practice change models. But it was difficult because we didn't know what we didn't know.

What did it mean to be an internal consultant to the business heads? None of us could understand the authority that we would have to drive change in the organization. We were going to put system changes in place to deal with the hearts and minds of people, while also working on real strategic issues? Yes, that sounded like a lot of fun.

But it wasn't happening. We weren't being bold. We were still operating like bureaucrats. It was as if we'd been neutered. We had all of this room to play in, we had all this air cover from the chairman, but the only bold initiatives were coming from external consultants—and they were getting frustrated with our change team.

Finally, one of the consultants asked me, "What are you afraid of?" I'll never forget that conversation. I said, "What do you mean?" He said, "You have great instincts, but when the chairman does something dumb, you look the other way. When a business unit leader has an operating style that is totally different from the change model, you won't call him on the carpet. Do you want a job so bad that you're willing to accept what you know is wrong?"

Man, that was heavy to wear. He finally said, "You're not free." It took some time for all that to soak in. Then I decided, "What's the worst thing that could happen to me? I could lose my job. But if I lose my job because I've developed into a world-class change agent, there

ought to be about a dozen companies out there ready to pick me up."

I realized that I couldn't live in fear. Whether or not I change the company, I knew I would change myself. I'd have new skills and capabilities. I'd be a very valuable commodity.

How did that realization change the way you did your job?

What you don't know while you're having that Road-to-Damascus experience is that once you've put your toe in the water, it's not so cold. Then the confidence factor kicks in.

Once I got my freedom, I got bolder. As I got bolder, the more invaluable I became to the chairman and to the company's leaders. In fact, the CEO used to say, "If I'm not hearing from business leaders every week who want you fired because you're in their face, moving them to new levels of leadership, you're not doing your job." It became the new norm in the organization.

That experience happened at Ameritech. What brought you from Ameritech to US West?

I started here 10 months ago on the heels of a very difficult reengineering process. When I walked in the door, the company was experiencing service performance problems in the marketplace. Many of our customers had to wait more than 24 hours for us to repair their service. New service orders and activation took us an unacceptably long time to deliver.

I saw the job as an opportunity to fix a big operating system and change a culture of entitlement. Like a lot of companies that have been subject to government regulation, we didn't understand the competitive marketplace. It's not just this company. The banking, trucking, airline industries—all the industries that have been deregulated—have had to go through a major change process.

It's even more intense in this company. We're positioned at the threshold of the future in all of our product lines and services. The question is, How do you take

stodgy, old, bureaucratic, entitled companies and make them competitive enterprises?

THE QUESTION IS, HOW DO YOU TAKE STODGY, OLD, BUREAUCRATIC, ENTITLED COMPANIES AND MAKE THEM COMPETITIVE ENTERPRISES?

Making that change is a challenge that even successful companies face as they age and grow. How do you get started?

For me, it begins with changing a culture of entitlement into a culture of accountability. My first week on the job it was immediately apparent that nobody had been accountable for the reengineering effort. Beyond that, no one had been accountable for meeting customer expectations or for adhering to a cost structure. It was acceptable to miss budgets. Service was in the tank, we were overspending our budgets by more than \$100 million—yet people weren't losing their jobs and they still got all or some of their bonuses.

That's very much like Ameritech had been. When people failed, we moved them to human resources or sent them to international. When I got to US West, I felt like I was walking into the same bad movie.

To get started, I used the change model I'd learned at Ameritech. First, you never announce that you're launching a change agenda. The reason is simple: change agendas have been done to death in these companies.

Everybody's completely turned off to change agendas—they dismiss them immediately as the "program of the month." In my first two days I found out all of the "programs of the month" that they'd had in the last four years. If you come in and announce, "Here's the next change program," you're dead. You've just painted a target on your chest. There's a target there anyway; this just makes it bigger. So you absolutely don't announce a change initiative.

Instead you do several very-high-impact things in the first 30 days that are immediately distinguishable and immediately shake up the organization. From my perspective, U S West was standing on a burning platform. Unfortunately, a lot of people didn't see it that way. So I had a 30-day agenda to create a buzz in the organization, to demonstrate that something's very different.

What kinds of things did you use to create that buzz?

For example, service was in the tank. So my second day on the job I initiated a scheduled phone call for my department heads to review service performance in all 14 states. I scheduled that call for 6 a.m. It was a literal wake-up call for the organization. It told my department heads, "You're going to serve the customer between 8 a.m. and 5 p.m., so the call happens at 6 a.m. A few days into the job I changed it, because they couldn't have the data at 6 a.m. So I took away their lunch hour.

The norm is to bring people into a meeting, talk about things, but nothing ever happens. We're not going to do that. Something has to be different. Having to get your butt up at 6 a.m. to understand where your business is, that's a watershed event for an organization that's asleep.

A lot of change programs involve changing people. Did you shake up your team?

That was the next high-impact event: to make some personnel decisions within 30 days. Most lethargic organizations study things and study things and study things. It's the proverbial aim, aim, aim. And never pull the trigger.

But it's not that hard to form an assessment of people within 30 days. In fact, I could tell within two weeks who the players were simply by immersing myself in the organization. I very quickly announced to my boss that I would not be attending very many meetings and I did not want to be part of conference calls. I told him, I'm putting on my combat fatigues and going to the line.

That's how I immersed myself in the organization: I touched people. And I immediately got a good sense of each person's work ethic. I could see who was strong in terms of leadership and direction. I could see if anybody had a plan. Unfortunately, few had a plan or an operating model. That's why the results were where they were.

After you'd made your assessment, what did you do?

Within 30 days, I made one varsity cut. After I fired him, I immediately met with his direct reports. You have to deal with the survivors when someone leaves. What I didn't do is to try to convince them that the firing was just. I didn't even deal with the firing. That's the open wound, so why go dig in it?

Instead, I wanted them to understand their emotions, and to get

them focused on my expectations for the management team. At the end I wanted them to understand the accountability model: if we have shared expectations, then I'm not going to stand over them making sure they perform every day. My job is to make sure that they're enabled. If there's a capability problem, I'm going to work with them on their skills. If there's a problem of inadequate resources, I'm the resource granter. My job is to be the cheerleader, the developer, the coach.

Now you've got their attention. But you're dealing with an organization of 20,000 people. How did you roll out the program?

As part of my 60-day program, I decided to delay the organization. Phone companies historically have lots of layers: you go through six levels before you get to a corporate officer. I figured we needed to have three layers of management between the technician who meets the customer and me.

Delaying was traumatic for us. When you start to delay, you're immediately fighting an HR system that says, "You can't do that." Then you get the other departments looking over the fence, saying, "Can you believe what this idiot's doing?" All that noise makes the next department wonder, "If he's doing it over there, are we next?"

The delaying was also a watershed because when you've finished, when the music stops, there are not enough chairs for everyone who's there. That's good. If you leave it to the old system, they'll take away a layer, but there will still be the same number of seats as when they started.

After the delaying, I needed to launch an organized change process. Again, I didn't announce anything. But I decided to do something called "Focus Customer." The name was critical, because it told the organization that the first thing we needed to fix was our customer performance. We'd worry about the cost structure second.

I brought the top 106 people in my organization together for three or four days to talk about our biggest business issues. No

theory, no academic stuff. We didn't deal with fictitious models or case studies; we dealt with real work that they face every day. Where are our three biggest problems? They then had eight to ten weeks after the meeting to take on a significant change process, lead it, engage their people, and produce results—just like we'd practiced. I've got to tell you, it scared the bejeezus out of some of my people.

Do you consider fear a positive or negative force for change?

I don't think it's positive or negative. Fear is part of change. Once people have figured out that something very different is happening, fear permeates the organization. You can cut it with a knife. I've come to the conclusion that you cannot un-fear an organization. But I do address it. You have to tell people that if they allow fear to paralyze them, it will become a self-fulfilling prophecy: it will be their undoing because they're immobilized; they can't make decisions.

I also tell them that accountability is the best remedy for fear. If you focus on serving the customer, if you are improving customer service, if you get after controlling costs, then you don't have anything to worry about. If you're accountable, you don't have anything to fear.

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From your experience, which is more important to change first: attitudes or behaviors?

I've found that you have to be focused on results and deliverables, not attitude, expectations, or emotions. When you've got a burning platform like I've got, I don't care whether people believe it or not. Give me the results! The numbers have got to improve. Of course, there are some people who already have the right attitude; they've been waiting for this opportunity. In fact, most people said, "It's about time. Put me in, coach! Where do I sign up?"

When you come into a system that's having problems and you introduce bold initiatives, you face the challenge that there is no belief system. People don't know what they can believe in. So you have to demonstrate that everything you've said actually can happen. That is a huge challenge. Part of that 60-day agenda has to be significant movement in at least some of the areas you have to fix.

Now I got lucky because we saw tremendous improvement in the first 60 days. As a result, this organization has done some things that are being talked about in the analyst community and among the leaders of this business. They can't believe the changes. That kind of early success creates its own belief system; more people sign up, and the momentum takes off.

Let's assume that I'm not the head of a department—but I still want to create change in my company. What can I do to be a change agent?

I get asked that all the time. There are eight things I always tell people. The first is that we all have some realm of authority that defines the sandbox in which you can play as an agent of change.

A lot of people don't understand that. They think that if they're a change agent, the first thing they've got to do is work on the human resource system to give them a pay-for-performance model. They spend their time thinking, "I've got to get the HR people to cooperate." That's wrong. The place to start is with the things in your organization you already control. There's a tremendous amount you can change.

But they need to understand and accept that limitation: you're not going to revamp the reward and compensation structure, so don't make it an issue. Look within your world and find the boundaries. Then within those boundaries, go for it.

The second thing is that aspiring change agents want permission for their change agenda. I've always felt that asking for permission is asking to be told "no." Don't ask permission. You know where the boundaries are. Be bold and take a few risks. Most of the time, if it nets out to the result that you wanted, you're going to be a hero not a goat.

The third thing to remember is that the system is stacked against you. Never underestimate that. Pick your battles. As a change agent, you have to pick which battle you really mean to fight, and never sacrifice the war over one little skirmish. You have to learn to think of leading change like working in an emergency room. If you go to an emergency room, the triage nurse decides who lives and who dies. The kid with a broken finger can wait for five hours while the medical team deals with a life-or-death case that's on the operating table. I faced this at Ameritech. There were 60,000 people, all potential patients.

The change agent has limited resources. So you keep coming back to the question, What are the priorities? Some people are going to have to sit in the waiting room.

Fourth, I believe that any change agent has got to have a model of change. That's what working in Ameritech gave me; it's what the Ameritech Institute was all about. Even people who barely understand the change process, who have no idea about a change model, can have a foundation if they stop and ask themselves: What's my point of view?

Fifth, every change agent has to deal with the political issues of change. That means they have to understand that being an effective change agent is not about being a kamikaze pilot. The few kamikaze pilots I've met since I started learning about change are genuinely stupid, bent on self-destruction. I learned a long time ago that a change agent has got to learn to stay alive. A dead change agent doesn't do anybody any good.

What's a more common political problem, and ultimately more difficult, is the issue of being seduced by the organizational opportunity and staying safe. A change agent who's looking over the hedge at the next opportunity isn't going to succeed. I don't believe change agents can stay safe. They have got to discover their answer to the question, "How am I going to deal with this thing called a career and this political system?"

What I now know is, if you do this thing right, if you've got a point of view, if you are bold and free, you've become one of the most valuable people in the organization. People with those qualities can work anywhere. In a technical company like this one, give me a choice between somebody who understands bits and bytes or a change agent, and I'll take the change agent.

Sixth, you have to understand what the job of a change agent is. It's about talking about the issues that we don't want to talk about, the ones that drive the business. It's about moving people out of their comfort zones. It's also about focusing on financial performance and creating shareholder value.

This is not just about the "soft stuff." Change agents who don't really understand the financial issues of the company aren't worth much.

Seventh, if you want to self-destruct as a change agent, practice the notion of, "Don't do as I do, do as I say." A change agent has got to walk the talk. After all, if you're doing this work the right way, you're completely exposed. And the moment you compromise your integrity, you're rendered ineffective. That's Change Agent 101. A change agent who doesn't walk the talk? I don't think so.

Finally, if you're going to be a change agent, I think you come to a point where you no longer think of what you do as a change program. It just becomes the way you do business. I can't imagine doing any job in any corporation where I wouldn't have a change agenda. ♦

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A CHANGE AGENT WHO'S DEAD

DOESN'T DO ANYBODY ANY GOOD.

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