

## Chapter 1: Organizational Change and Its Discontents

Consider Joan's career at Cisco Systems, the largest Internet backbone equipment provider in the world. I used to think that Joan's experience was an anomaly; I now find it so prevalent as to be satirized in every other Dilbert cartoon. Over the two years that Joan occupied the same position at Cisco headquarters, her immediate boss changed no fewer than eight times. Each of Joan's eight bosses came in with his or her own "new" change initiatives. Moreover, the vice president heading up her entire department changed three times, each VP launching a complete reorganization upon taking over. In the process, her department experimented with several rounds of prioritizing projects that went nowhere—among them, six sigma and e-learning, in which Joan was involved. With all these managerial changes, Joan stopped and restarted her e-learning project no fewer than seven times—about once a boss, that is. Ultimately, the project never saw the light of day, although Joan still believes Cisco desperately needs it today.

What slowed the project? Not only the stopping and starting, but also the tendency among her revolving bosses to cut costs by outsourcing most programming and design, to then become dissatisfied with the results, and to then in-source, only to outsource again a few bosses later. In Joan's words, "The projects would switch from 90 percent in-sourced to 90 percent outsourced, and then three months later [switch] back again." In time,

however, Joan realized that the change chaos slowing her down existed beyond her department and could be found in many parts of Cisco.

To his credit, Cisco's CEO, John Chambers, would deliver a clear compelling vision, with a clear and focused set of priorities, and would stick to them through thick and thin. However, as his message cascaded down the organizational hierarchy, each unit in this highly decentralized organization would add to Chambers's priorities its own "vital" initiatives. By the time Chambers's message reached Joan, the same question would face her every time: "Which of these twenty priorities do you want me to pay attention to, if I had a boss who would want to put a stake in the ground and empower me to make such a choice?"

What ultimately killed the project? Not just Joan's realization that endemic initiative overload would continue diverting her from completing her project. Much more important, Joan had realized that she had become a person she did not want to be: deeply cynical, burned out, political, and plagued by chronic work-related headaches. The project ended with the decision by Joan—a star Cisco employee with a Ph.D. from a leading U.S. university, a survivor who had outlasted no fewer than four rounds of Cisco layoffs, and an employee who remains deeply committed to Cisco and its CEO—to quit of her own volition.

Cisco is not an anomaly and it is perhaps unfair to single it out. It suffers from a rapidly growing malaise plaguing an increasing number of organizations today: what I call *repetitive-change syndrome*. The symptoms? Initiative overload, change-related chaos, and widespread employee anxiety, cynicism, and burnout. The results? Not only do relentless tidal shifts of change create pain at almost every level of the company and make organizational change harder to manage, more costly to implement, and more likely to fail, but they also impinge on routine operations and render firms inwardly focused on managing change rather than outwardly focused on the customers these changes should serve.

By *initiative overload*, I mean the tendency of organizations to launch more change initiatives than anyone could ever reasonably handle. When that happens, people in a firm such as Cisco begin to duck and take cover whenever they see a new wave of initiatives coming. Like Joan, they have learned the hard way that you can get labeled as “resistant to change” by arguing with a new boss that his or her pet project was already tried, tested, and found wanting only two bosses ago.

*Change-related chaos*, another effect of repetitive-change syndrome, refers to the continuous state of upheaval that results when so many waves of initiatives have washed through the organization that hardly anyone knows which change they’re implementing or why. Moreover, because people change positions so frequently in these kinds of firms, the Joans of the world often become the only keepers of the organizational memory. They

find themselves alone in pointing out one more pendulum swing between two alternatives, each of which has its costs and benefits—not only in-sourcing versus outsourcing, but also centralization versus decentralization, or product versus functional reorganizations, for instance.

Perhaps the most painful consequence of repetitive-change syndrome, however, is what it does to employees. Anxiety, cynicism, and burnout infuse the organization. This is no joke. To Joan's chronic headaches, add another close female colleague's hair loss, and a third's recurring ulcers.

In this environment, only senior managers and brand-new employees are enthusiastic about change. Joan and her ilk, who have seen one too many flavors of the month, one too many “new innovations” stop and start with little follow-through, become deeply frustrated by the continual disruptions in routine operations. As they take ever more time dealing with new initiatives, the day-to-day work of serving customers suffers. Meanwhile, the wake of continuous change pushes aside those organizational issues that need genuine attention. As a result, people like Joan become increasingly cold to any new initiative and end up creating their own inflexible organizational layer of human permafrost: highly cynical and resistant to change.

Yet despite all of these ill effects, if you open almost any of the hundreds of books written over the last three decades on how to manage change in organizations, you will find “unrelenting change” as the common mantra, the very kind of who-moved-my-

cheese change that abounds at Cisco. “Change or perish” is its rationale. An assumption underlies these messages: that people naturally resist change and that leaders should destroy or cast aside the old ways in order to create a spanking new future—a process aptly called “creative destruction” in a recent management book by that title.<sup>1</sup> Rarely do these books consider that unrelenting change and creative destruction might cause widespread disruption resulting in resistance to change by people like Joan. Rarely do they consider that what they call “resistance *to* change” is, in fact, “resistance *from* change.” Indeed, with slogans like “no pain, no change,” companies justify the continuous disruption that relentless and destructive change causes in daily organizational activities involving customers, suppliers, employees, managers, leaders, and other organizational stakeholders.

These advice givers (and the companies that follow them) ignore the scientific research coming out of business schools showing that many organizations change *and* perish.<sup>2</sup> Or, more accurately, they change and therefore perish. In certain cases, rapid and continuous change simply rips an organization apart.

Carefully controlled scientific studies indicate that the more frequently an organization changes, the greater its risk of failing.<sup>3</sup> Or put differently, the greater the interval between changes, the less likely that an organization will fail because of the changes. Moreover, in close to two-thirds of industries studied, rather than increasing corporate survival rates, large-scale creative destruction actually depressed them.

Researchers have found that creative destruction hindered rather than helped the survival rate of newspapers, hospitals, airlines, wineries, savings and loans, automobile manufacturers, semiconductor manufacturers, bicycle manufacturers, Japanese banks, and even post-perestroika communist newspapers.

Am I saying that a firm such as Cisco should, now and ever after, halt all change programs, all efforts at improving its practices? Absolutely not. Cisco lives in an extremely dynamic industry and needs to make repeated changes to adapt to the changing competitive environment. This book, therefore, starts from the premise that the continuous change, creative destruction, change-or-perish, and no-pain-no-change advice so prevalent over the last decades is not so much wrong as overgeneralized. It is still very useful, for instance, for the rare firm remaining in today's corporate world that has resisted change for too long and that may need to make many big changes quickly or face extinction. But it does not help firms like Cisco, which suffer from repetitive-change syndrome. To the contrary, it harms them and can even destroy them.

Indeed, for most organizations, change management advice has been too broad and unspecific to help much at all, leading companies to implement sweeping change initiatives with little concrete direction or hands-on tools. Most change management theorists have not provided help on how to lead and manage organizational change in a world of already excessive organizational change. Indeed, their change-or-perish advice only exacerbates the syndrome's harmful consequences.

This book attempts to remedy that situation. In it, you will find maps, tools, and techniques that will offer organizations a way to change without inflicting much change-related pain. More specifically, I intend this book for executives, leaders, managers, and students of management who want to avoid repetitive-change syndrome. It provides ways to change organizations—whether they are entire corporations, divisions, or departments—while minimizing not only change damage to their employees and the routine operations they carry out, but also change damage to these organizations’ capacities to make still more nondamaging changes. In other words, the book provides a formula for sustainable change—repeated change that does not undermine the capacity to continue making repeated changes.

The book also targets executives, leaders, and managers who need not only to revive organizations suffering from repetitive-change syndrome but also to resuscitate employees like Joan, who have been put through the wringer of too many “new” initiatives and have been left with little patience and few inner resources to do their jobs well.

Before I suggest a new approach to change management, however, let’s examine in more detail the origins of the current creative destruction approaches, the ways in which they remain relevant, and how students of change management must update them in order to manage needed change in a world of already excessive organizational change.

### **The Roots of Creative Destruction**

Despite the appearance of novelty, most of the purportedly innovative change management prescriptions over the last several decades have simply been repetitions on the same theme. The fact is that change management advice has remained largely unaltered since the 1970s—a period when many U.S. firms, rendered dominant for too long by the military destruction of their prewar European and Asian competitors, needed leaders who could shake them quickly and aggressively from their complacency. Inwardly focused and excessively stable, these firms had become blind to the many changes they would have to undertake to survive the resurgent global competition of the 1980s and 1990s.

Consider the example of General Motors (GM) in the 1960s, a firm that had dominated car markets since the end of World War II. The key challenge for senior executives was not to beat external competitors—“Made in Japan” was a joke for them, and they could safely ignore non-U.S. competitors, or so they thought—rather, it was to defeat internal political competitors for promotion to GM’s upper echelons. GM became the land of what it called the “nonobvious promotion.” Rather than promoting executives who were most deserving, superiors gave the job to the most unexpected, and often least qualified, contender. These career-saving promotions indebted the nonobviously promoted to their superiors, turning them into their superiors’ loyal political allies in future promotion and political contests. Insecure about how they reached executive rank,



the nonobviously promoted would then demand a kind of obsequious obedience from subordinates.<sup>4</sup>

Lost in this inwardly focused, ritualistic, and pathological politicking was any inkling of the external threat from Japanese, Korean, and German automakers that firms such as GM and Chrysler would soon have to reckon with. Therefore, the change management practices of the 1970s had to focus on how to launch firms like GM onto the path to radical change. Such organizations had remained so stable, and so maladaptive, for so long that they literally had to change or perish. Indeed, in 1981, Chrysler posted the largest loss ever in U.S. corporate history.<sup>5</sup> Therefore, the advice was that organizational changes had to be big and destructive—what today we call *creative destruction*. To create a new hopeful future, such creative destruction had to cast aside all that was wrong about the past, whatever the pain. The pain was so intense, however, that the danger of backsliding into another period of maladaptive stability became a real possibility; thus, revolutionary change had to be followed by yet more rapid, continuous, destructive, and relentless changes in order to keep the firm more flexible and faster than its competition.

The result was a set of change management prescriptions that should sound familiar to everyone, since despite cosmetic alterations, they remain virtually unchanged today. The problem is that fewer and fewer such excessively stable firms still exist. Why? Because most leaders heeded the advice of relentless-change and creative destruction gurus throughout the 1980s and 1990s, creating firms that have been changing at full

throttle ever since. Because of this pendulum swing away from the pole of excessive stability toward the relentless-change pole, a rapidly growing number of firms are suffering the consequences of repetitive-change syndrome.

One of the situations in which change-or-perish or creative destruction still remains useful is in firms I call *change avoiders*. Conversely, creative destruction can harm organizations, like Cisco, that have changed too much, which I call *changeaholics*.

### **Change Avoiders and Changeaholics**

Organizations today that resemble GM in the 1960s have a dinosaur-like quality. They have consistently sought out only stability; as a result, they may indeed have to undergo rapid, relentless, destructive change by creative destruction or face extinction. One recent change avoider is the Koç Group, a Turkish conglomerate of businesses that range from automotive and related accessories to white goods and electronics, retail, finance, energy and mining, knowledge and information technology, utilities, and exports. As a senior Koç manager explained to me, Koç thrived until recently in protected markets—shielded from global competition and even from the pressure of the common market. It was helped by powerful ties to the Turkish government, docile suppliers, and the lack of serious European or global competitors in Turkey. As the Turkish economy continues to globalize, however, Koç faces an entirely new competitive environment, with new, powerful, and aggressive global entrants.

Firms like Koç must change urgently and most likely dramatically. These firms have to realize the trap they are in and walk through the valley of death. But change avoiders are becoming increasingly rare. Most have either become extinct or, like Koç, have realized the problem and are already well on the path to change—and, if anything, could well run the risk of excessive change.

At the other extreme are organizations like Cisco—the changeaholics with an apparently insatiable addiction to change. These changeaholics often suffer from acute repetitive-change syndrome. The resulting initiative overload, change-related chaos, and employee anxiety, cynicism, and burnout that build with each new wave of change render each of those change waves all the more disruptive, expensive to pull off, and likely to fail.

Consider the evidence. Cynicism has become so prevalent in organizations that it has spawned its own little field of academic research.<sup>6</sup> A host of other studies report widespread change-related problems, chaos, and initiative overload.<sup>7</sup> Likewise, there exists in excess of five thousand studies of employee overwork and burnout.<sup>8</sup>

The approach to change advanced in this book targets both changeaholics and firms at risk of changeaholism. My central argument is that reducing the amount of highly disruptive change will allow these firms to attain superior long-term and shorter-term performance. Such an approach will thereby enable more changes more easily, more

cheaply, and with more success. It will, in effect, bring firms closer to the change without pain ideal.

How can organizations today, mired for so long in a world of already excessive organizational and environmental change, aspire to such an ideal? How can they hope to manage change periods in the least disruptive fashion possible? Paradoxically, by learning how to change how we change. More specifically, by learning two new techniques that create less disruptive and painful change.

One technique enables less disruption and pain in the midst of change. I call this alternative approach to change *creative recombination* to distinguish it from creative destruction, that is, change that destroys and removes existing organizational assets to make room for newly created ones. By contrast, creative recombination minimizes disruptive and painful destruction by using assets an organization already has and recombining them creatively in a new and successful fashion.

Creative recombination suggests an alternative, less disruptive, approach to change. I turn to it first and give it the lion's share of attention throughout this book. But there exists a second technique to reduce disruptive change and pain, a technique that reduces the *amount* of change. I call this second technique *pacing*—it alternates periods of stability and change, counterbalancing one with the other and delivering the benefits of both. Pacing, therefore, suggests when to change and when to stabilize the firm (industry conditions permitting). I turn to it in the latter part of the book.

## **Creative Recombination: A New Path to Change**

Probably the best way to explain the concept of change by what I call creative recombination is to begin with a story that will provide the underlying metaphor for this book: the basement workshop. This story is about one particular workshop—my father’s—and how my father fashioned a potter’s wheel for me when I was a teenager.

At first glance, my father’s workshop appears strange, maybe even messy. It is full of odd and mismatched parts: a scooter engine, steel bars, cogs, and old toys. You do not notice the hidden order to this apparent madness. In the workshop, each type of element can be easily located. In one corner, shelves overflow with carefully labeled receptacles containing all forms of washers, nuts, bolts, screws, nails, spikes, powders, oils, paints, greases, and solvents. In another corner, an antique metal forge uses a vacuum cleaner as bellows. It stands next to an anvil, a welding machine, and an inventory of scrap metal. Above hang three different bicycles over the skeleton of a scooter. In a third corner, there are piles of gravel, sand, and plaster of paris bags. A row of china inks of every possible color except purple are neatly lined up in the last corner. Next to them stands an architect’s table that holds all forms of tracing tools. Above it, a bulletin board contains the pictures, diagrams, and related articles guiding a current project. The bookshelves contain volumes ranging from a treatise on the smelting of metals to Heidegger’s *Being and Time* to a book on the optics of World War I bomb targets, all neatly arranged by topics.

When my father decided I should have a potter's wheel, rather than going out and buying me one, he went into his basement and looked around. In the part of the workshop that stores scrap metal parts, he picked up a metal disk, a rejected aircraft part he'd found in a flea market some years before. He also found a long, steel rod of automotive origin, which he welded onto the metal disk. He mounted the contraption on the frame of a washing machine whose engine, connected to the rod by one of my discarded leather belts, would spin the plate. Then, as I watched the washing machine engine come to life, my father threw a hunk of clay on the spinning plate and carefully molded it into a coffee cup. I was amazed—not so much by the fact that this contraption actually worked as well as the potter's wheel that I used in a professional studio near my home but by how quickly my father's careful organization of so many mismatched parts allowed him to locate the parts he needed and to recombine them in the midst of what looked, at first, like a chaotic assemblage of heteroclitic stuff.

There was an iron-tight order and logic to my Dad's apparent madness—and therein lay the origins of my thinking about creative recombination and how I myself would be able to use these ideas, years later, in my own work about organizational change. The basement workshop is a helpful metaphor for change without pain because it highlights the key tools, skills, and techniques that enable an organization to achieve less disruptive change. How? By finding, reusing, redeploying, and recombining the mismatched parts that the organization already has lying around its corporate basement.

Like any analogy, the basement workshop analogy contains parts that could convey the wrong impression. The impression I wish to create is not one of a chaos of rusty pipes and broken machines in which one cannot find anything except, on rare occasions, a few inferior solutions. The image, rather, is one of a well-run corporate basement, rich in high-quality recombinants that can be easily located, redeployed, and recombined to bring about smoother, more cost-efficient, and less painful organizational change.

Achieving change through creative recombination is not just a theory; the basement workshop is not just a hollow metaphor. My first lessons in creative recombination came from consulting and teaching with GKN plc, one of the oldest companies listed on the U.K. stock market. Over its history, the company has demonstrated an amazing capacity to recombine itself into new, highly successful configurations. It went from smelting iron to making wood screws and metal screws. During the 1970s, it diversified in a number of unrelated industries. During the 1980s and 1990s it refocused on its core businesses. Its largest business currently is its Driveline division, the producer of constant velocity jointed (CVJ) half shafts for over 40 percent of the automobiles on the planet—the business that has been a key pillar of GKN's performance over the last thirty years.

The history of CVJs is interesting. A company that GKN acquired contained the CVJ technology and production processes. However, GKN executives discovered CVJ

technology in the acquired firm only after the acquisition. The act of genius at GKN, then, was discovering CVJs and letting them drive the firm's strategy over the next thirty years.

Some might call this discovery of CVJs "luck." But GKN has gotten lucky in this way again and again throughout its history. Indeed, GKN always works very hard at being lucky. Take, for example, the period in the early 1980s when contract cancellations began to pose a real problem for GKN's businesses. Typically, the company would land a contract and then proceed to find the engineers necessary to staff that project.

Unfortunately, customers would then often postpone or cancel these contracts, keeping engineers unemployed or idle until new work could be found for them. To deal with this recurrent situation, GKN's units began to "rent out" the services of their engineers for short assignments—which created an inventory of engineering talent that was easy to manage and low cost. For their part, GKN executives could pull the engineers back into the organization whenever needed. The units started the practice on an informal basis, but it proved so successful that GKN—to further its profitable growth strategy—created a new division to manage the hiring out of its own and other engineers on short-term contracts.

The result? GKN recombined its reputation for attracting topflight engineers as well as its talent for developing engineering skills and its extensive network of contacts to start what was, for all intents and purposes, a highly sophisticated employment agency. The new division, baptized with the name Engage, is now growing at breakneck speed.



GKN executives had known the Engage business model for years. All they had to do was formalize this model, bring it under the umbrella of a new division, and recombine it with GKN's existing divisions.

*Everything in Moderation, Including Moderation*

I warned in the introduction to this book about the dangers of overselling management techniques, resulting in unrealistic hopes that give way to fruitless management fads. It is important that I moderate certain claims, therefore, because I have painted a very rosy picture of change at GKN in order to exemplify creative recombination in the clearest and most forceful way possible.

So let's be clear. I am not claiming that GKN recombined every one, or even most, of its useful assets or recombinants. I discuss in the next chapter how, during a GKN engagement with one of its companies, Westland Helicopters, I witnessed its executives discover serendipitously a process that they successfully and virtually painlessly recombined with their existing processes. I know, however, that GKN was not always so lucky.

Nor am I saying that GKN brings about massive change without *any* creative destruction. It is true, for instance, that GKN founded Engage largely by recombining GKN's existing assets. It is also true, however, that Engage experienced growing pains—having to part with one of its early CEOs, for instance. So I am not making the

overblown claim that GKN did not destroy anything, or that it brought about massive change without any pain.

What I am asserting, however, is that GKN taught me by its words and deeds that it is possible to tip the balance firmly toward creative recombination and away from creative destruction. Creative recombination, not destruction, can become the default to which leaders, managers, and employees turn first. Finally, what I am claiming is that GKN manages change in a way that brings it much closer to the change without pain ideal.

Why does the stress on recombination over destruction make changes cheaper, less painful, and more effective at GKN than in comparable companies? First, creative recombination enables the existing parts of GKN to continue operating as they are recombined, lessening the disruptive stopping and starting that is necessary if old parts have to be destroyed and new parts invented from scratch. Second, making smaller, incremental changes makes it unnecessary to take such radically destabilizing steps as obliterating large numbers of jobs and positions as GKN implements each recombination. Third, employees at GKN are familiar with the preexisting parts that are recombined. Therefore, a change such as the GKN Engage launch is much less anxiety producing than if GKN had acquired a brand-new business or created one from scratch. Finally, the parts that GKN recombines, unlike transplanted parts, are native to GKN and less likely to be rejected, which would require yet more destabilizing change.

All kinds of locutions exist in the English language to describe how GKN goes about crafting changes: “making do with what you have,” “using a little Yankee ingenuity,” “pulling yourself up by your own bootstraps,” “making a silk purse out of a sow’s ear,” “not throwing the baby out with the bath water.” But clearly many other cultures also see the value of such creative recombination, including the French, whose word *bricolage* refers to the same kind of process in which one somehow “makes do” with what one already has lying around in order to create a functional collage of parts. The German *flickschusterei* has a similar connotation—“cobbling together,” referring to a person who pieces together shoes using existing patches of leather. The Turkish *Bulup buluşturmak* also translates literally as finding and matching (or pulling together) in order to create a new outfit. The Japanese *kumikaeru*, or recombination, is used in the sense of genetic recombination. The British took the German word *klug* (“clever”), recombined it with an *e*, and gave us the English word *kluge* or *kludge*—defined in the dictionary as “any solution for accomplishing a task, especially mechanical, which consisted of various otherwise unrelated parts and mechanisms, cobbled together in a untidy or downright messy manner.”<sup>9</sup>

The kind of change I’m talking about—whether you call it creative recombination, Yankee ingenuity, or tinkering or kludging in your basement—is one way to bring us closer to the change without pain ideal. To clarify, consider what creative recombination is not: Recombination is not an approach that involves obliterating the past to make way

for some perceived notion of a brand-new future. Divorcing to remarry, gutting your house to rehabilitate it, downsizing your work force in order to rehire, and destroying the current organizational structure in order to restructure are so many examples of the latter approach. Often called creative destruction, that is precisely the kind of highly destabilizing change management process that gurus have overprescribed for several decades.

### *Creative Recombination Versus Creative Destruction*

Although creative destruction can be inevitable in a world of excessive change, it should not be the default option. By wiping out the present and then having to reinvent the future, it is the change modality that has the greatest potential to create the highest degree of disruption and change-related pain.

Creative recombination, on the other hand, can be a much less wrenching process. As we have seen, rather than destroying parts of a company and inventing whole new structures, change comes through combining existing elements of a firm into new, more useful configurations. The printing press, to use an example of a technological recombination without which Harvard Business School Press could not have published my book, resulted from Gutenberg's recombination of the wine press and the coin-stamping machine. Had he instead relied on creative destruction—and in essence tried to invent a whole new kind of press and a never-before-seen stamping machine—old Gutenberg would probably have soon given up in frustration.

These recombinations stand in sharp contrast to the frustrating attempts at creative destruction that people in organizations undergo today. When firms make those attempts serially—as in our opening example of Cisco Systems—repetitive-change syndrome results, along with its symptoms: initiative overload, change-related chaos, and employee anxiety, cynicism, and burnout. Let us now examine creative destruction versus creative recombination in the workplace through the lens of each of these facets.

### *Initiative Overload*

Because creative destruction typically requires many more change initiatives than does creative recombination, it is more likely to cause initiative overload. With creative destruction, you have to first destroy what you've had in place, then design a new system, and then implement it—all of which is likely to create resistance in the organization. This means you then have to take yet another step, which is to start the process all over again.

Take, for example, the case of Bank of America when its executive team decided to create a new organizational measurement system for the bank's lending function. Specifically, the team wanted to switch from measuring and rewarding the number of loans the bank processed to measuring the profitability of those loans. To accomplish this, the bank applied creative destruction. In the end it met its goal—but not without an enormous amount of time, effort, and much pain all around.

Why? Because the creative destruction required at least four major types of change initiatives. First, Bank of America had to obliterate the current system, which

meant that employees had to abandon and unlearn that system. Second, the bank had to blueprint a fresh system, devising the new measures and aligning them with the new measurement structures. Third, it had to build the blueprint, which meant designing the actual loan measures and who would receive them, how frequently, with what feedback and rewards, and so on.

Finally, the bank had to put in place what it built so that it was understood and accepted by those people—primarily loan officers—who would be measured, guided, and rewarded by that system. This meant actually implementing the measurement system so that people knew how to develop and code the data, understood the new measurement's purpose and consequences, and felt that the measures were useful and helpful and were therefore aligned with them.

That way of creating change proved as difficult as it sounds. The then CEO, Tom Clausen in a talk at Columbia University, tells a story of how, many months into the change initiative, he visited all of the bank's loan officers. When he asked them, "Making any money on those loans?" the reply he received, inevitably, was: "Great! I'm making more loans than ever." No mention whatsoever of how profitable those loans were. The new measurement system had been announced, all of the steps chronicled previously had been taken—and yet at that point there was still no real buy-in to the new measurement system. It was simply too complex, involving too many change initiatives along the way, for people to respond well. It was not until many, many months later, after asking the

“loan profitability question” to hundreds of employees that, in the words of Clausen, “the bastards finally understood I was serious about profitability.”<sup>10</sup> Clausen’s use of the “b” expletive to refer to his Bank of America employees only underscores the highly destabilizing nature of such changes.

Now consider how part of a large railroad, Deutsche Bahn, used creative recombination to achieve such a measurement change in a mere two steps. First, the countless measures that were in use throughout the firm were inventoried and classified into four categories. Second, eighteen existing measures spanning the four categories were retained, while the others were eliminated. That was it. Creative recombination involved only inventorying existing parts—measures, in this instance—and recombining them. The old measurement system did not have to be completely obliterated. Moreover, new measurements did not have to be designed, created, and tested. Rather, the task was to find and leverage existing measures that were right for this firm (those which, anyhow, were really being used). The firm simply needed to put to a new use what it already had and to do more of what it already did well.

Recombination requires fewer initiatives for two additional reasons. First, recombination minimizes the need to reinvent the wheel because the process begins by looking around to find if a wheel already exists that can be reused, redeployed, and recombined. Second, creative recombination minimizes the potential for pendulum swings between mutually exclusive alternatives, such as centralization and

decentralization, in-sourcing and outsourcing, or product and functional organizational designs. The recombination process begins not just with looking at what current parts of the organization you can recombine, but also at what past elements you can revive, redeploy, reuse, and recombine. The process, therefore, brings squarely into focus any mutually exclusive alternative solutions that were already tried in the past.

### ***Change-Related Chaos***

Because creative destruction involves a transition period between the time when change agents destroy the old system and when they finish implementing the new system, it tends to create elevated levels of change-related chaos. During this often protracted in-between period, the firm can be both literally and figuratively out of control.

Such was the case in the classic example of Citibank in the 1970s, when John Reed, the CEO-to-be of what was to become Citigroup, experimented with sweeping, rapid changes in business processes.<sup>11</sup> His goal was to transform radically an old back-office check-processing operation into a highly efficient financial services system. He shut down operations on Friday, September 2, 1971. By Saturday, the bank had eliminated existing processes. By Sunday it had replaced them with the new processes. By Monday, the bank had thrown the switch on the reengineered checking-processing system.

But by the end of that week, it was apparent that the new check-processing center was, indeed, self-destructing. The paper pipeline had erupted, and unprocessed



documents were accumulating. By the end of the second week Citibank's money pipeline had burst. Why did Citibank's change fail so spectacularly? Because although existing processes had been destroyed on Friday, when the switch was thrown on Monday the new processes had not yet been fully tested and implemented. In the end, it became apparent to everyone that the change process had wreaked such chaos that it was almost destined to fail.

The Citibank case occurred in the 1970s, but it was really no different from what happened at thousands of firms in the 1990s that underwent the business process reengineering (BPR) advised by Michael Hammer—and failed spectacularly as well.<sup>12</sup> (We will examine that fad and its consequences in chapter 6.)

Creative recombination, on the other hand—unlike BPR and the Citibank change initiative of the 1970s—requires much less of a transition period and therefore less chaos. Because the recombinants already exist, you spend less time breaking down old parts and inventing and implementing new ones. Often recombinants can even continue operating for the duration of the change. When Deutsche Bahn changed its measurement system, the eighteen kinds of measures that it retained never stopped functioning. Throughout the transition, the railroad continued to use them to collect, process, and disseminate information.

Creative recombination also tends to generate less change-related political chaos. Indeed, because little is destroyed, there is less to have to defend or justify within the

firm. Managers spend less time and energy protecting their jobs, skill base, or authority. Moreover, NIH—“not invented here” syndrome—becomes less of an issue. People typically do not reject as “foreign inventions” change initiatives that recombine already existing organizational components.

### ***Employee Cynicism***

H. L. Mencken once said “a cynic is a man that when he smells flowers looks around for a coffin.” The levels of employee cynicism, anxiety, and burnout that result from creative destruction are well documented. Consider, for example, the merger between Chase and J.P. Morgan in 2000 and their attempt to create the single, massive firm called J.P. Morgan Chase. This was a classic case of creative destruction. For years, Chase had been chomping up firm after firm—Chemical Bank being only one example—which had created deep-seated problems of integration and employee alienation as Chase forced one change after another on its people. The J.P. Morgan merger, in which thousands of employees were funneled together to make one big company, triggered cynicism and anxiety in so many people that they left the newly merged firm en masse. One senior investment banker I spoke with told me that not long after the creation of J.P. Morgan Chase, she was the only person left of the 60 people who had once worked in her unit!

Creative recombination, on the other hand, tends to be much less disruptive for employees—in large part because there is less initiative overload and less change-related chaos. Because employees aren’t continually wasting effort reinventing the wheel or

swinging on a pendulum between extremes of change, they don't become so cynical.

Because recombinants are not new and unfamiliar, employee anxiety stays at bay. And because recombinatory change requires less work in general than destructive change, people tend not to burn out.

### **Outline of the Book**

This chapter and the next describe creative recombination. The following seven chapters demonstrate how to creatively recombine various elements of your organization, as well as how to recombine elements *outside* your organization.

More specifically, chapters 3 through 7 explore different dimensions of the organization and how to apply creative recombination. Chapter 3 looks at *people* and how to avoid downsizing by redeploying the talent companies already have. Chapter 4 examines the organization's *social networks* and how, instead of creating yet another new information technology network, companies can leverage social networks in order to reach for painless change. Chapter 5 looks at *culture* and ways that an organization can revive its values, rather than trying to invent them from scratch. Chapter 6 explores *processes*—specifically, how to salvage good processes rather than reengineer them. Similarly, chapter 7 looks at organizational *structure* with an eye toward reusing its parts instead of going through the painful process of replacing and reorganizing them altogether.

Each of these chapters focuses on how to recombine one or more elements from within the firm—people, networks, culture, processes, and structure. Chapter 8 switches the focus from recombinants originating inside the firm to those originating outside the firm. It examines how to effect large-scale change involving not only a firm’s recombinants but also those belonging to its suppliers, its customers, and even its competitors.

Chapter 9 turns to the question of *when* to recombine. More specifically, it challenges the notion of continuous change—whether by creative destruction or creative recombination—and introduces a technique for balancing stability and change to reduce change-related pain. This technique, pacing, alternates periods of stability and change, counterbalancing one with the other to exploit the benefits of both. Chapter 10 concludes the book with some practical tips for keeping your company’s “recombinant muscles” limber and thereby pursuing change without pain as an ideal over the lifetime of the organization.

Finally, I have placed materials pertinent to the book on a website—[www.ChangeWithoutPain.com](http://www.ChangeWithoutPain.com). I hope that [ChangeWithoutPain.com](http://www.ChangeWithoutPain.com) will become a bit of a Web-based basement workshop. In it, you will find Web tools; links to articles, stories, and examples; and a threaded discussion group. I will post not only my recombinants, but any and all forms of recombinants that readers of this book might want to contribute for others to recombine.

## **The Change Without Pain Ideal**

The prominent behavioral scientist Kurt Lewin once said, “There can be no change without pain.”<sup>13</sup> Or, to put it more succinctly, “No pain, no change.” Although I agree wholeheartedly with the truth behind that saying, I would also add three important caveats. First, in the current environment of excessive change, it is important not to overgeneralize. Yes, sometimes no pain means no change, but sometimes excessive levels of change-related pain can also render change slower, more expensive, and much more likely to fail entirely. In other words: More pain, less change. We must entertain the real possibility, therefore, that less pain equals more change.

Second, “No pain, no change” cannot be the standard against which we judge change management, because the phrase then becomes the excuse for every form of badly managed change. For example, “The organizational change succeeded, but the organization suffered unbearable pain and did not survive. Well, you know—no pain, no change.”

Third, “No pain, no change” cannot remain the standard. Otherwise, it becomes the ready-made justification for why change is so difficult, for why so many change attempts fail, and for ever more change management fads.

This book proposes a different ideal to which to aspire: change without pain—that is, change that leaders and managers can repeat again and again without creating, over time, initiative overload, widespread change-related chaos, and employee cynicism and

burnout. I advocate change without pain not because the mission of executives is to eliminate pain from organizational life (how boring and unchallenging work would become), but because in an environment of already excessive change, additional change-related pain impedes further change, raises its cost, and reduces its effectiveness. Change without pain is an ideal that, even if it is unachievable, will challenge and push people who develop advice about change management to craft better approaches to change itself.

In the next chapter, we begin to explore this notion of change without pain by looking more closely at how leaders and managers achieve it—namely, through the basic principles of creative recombination.