
THE ROAD TO CEO

New Perspectives for Maximizing Performance & Accelerating Leadership

Why Change Initiatives Fail *And What You Can Do About It*

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CHALLENGE: In response to economic volatility, global competition and emerging markets, today's leaders need to make changes more frequently than ever before. Unfortunately, most of these change attempts fail to deliver on their promise.

SOLUTION: Ultimately a leader's ability to execute change initiatives & sustain high performance depends on identifying and eliminating hidden ambivalence at all levels.

A March 2006 study by IBM business consulting revealed that most CEOs need to make significant changes to respond to market competition. Yet, 80% of change efforts by these business leaders failed to produce their intended results.

Why? While anyone in a leadership position can think of multiple reasons why a particular initiative never gets off the ground, execution failures can often be traced to ineffective dynamics at the senior level.

Here's a typical example.

Your organization hires an outside firm to evaluate growth opportunities in new products. At a senior team meeting, everyone listens carefully to a detailed presentation for a major product development requiring significant investment. The conclusion is that this product provides your company with a significant income opportunity.

At the end of the presentation, the room falls quiet. Everyone looks around, shuffles through papers or makes some final notes ... avoiding comment until they know which way the boss is leaning. The CEO asks a few benign questions, indicating that he favors the project. One by one the other participants speak up, dutifully reflecting the boss's positive perspective. From all the nodding heads, it appears that everyone agrees on the merits of the project. However, appearances are deceiving.

While everyone heard the same presentation, each senior executive interprets the information according to his or her own perspective. The marketing vice president wonders about the positioning of the product — will it alienate distributors who offer a competing product? The head of

Hidden Ambivalence Leads to a Predictable Pattern

- One or more executives recognize problems with an initiative, but don't express their doubts or suggest alternatives.
- Decisions are made without the benefit of these differing perspectives.
- Executives leave the room with varied assumptions about the next steps, lack of shared commitment, and no accountability.
- Executives can't gain the full commitment of the workforce when they themselves are not fully committed. This slows the pace of progress.
- The slower the pace of progress, the less confidence everyone has in the potential of the project to deliver results.
- This decreased confidence becomes a self-fulfilling prophecy, and the initiative fails.

the service division wonders if it will take resources away from his team. The manufacturing VP believes that the first-year sales projections are overly optimistic and may leave him with a warehouse full of product. In fact, few attendees see how they stand to benefit from the project. However, no one expresses any reservations. What is said – and not said -- gives the impression that everyone is on the same page. The apparent consensus further fuels the CEO's enthusiasm for the project.

Problems don't occur until a few months down the road, when the project loses momentum. Employees are skeptical and disengaged, and before long, the project is dead in the water. The CEO expresses his frustration and disappointment -- this isn't the first time he's seen this sequence of events. In fact, it's happened so often, that new initiatives are regularly ridiculed by the workforce as "today's big idea."

In years of consulting to CEOs and senior executives, we've seen this scenario play out over, and over again. And while every failed initiative may have a different *specific cause*, the underlying reason for failure is often the same – hidden ambivalence.

How Hidden Ambivalence Kills Execution

Hidden ambivalence kills execution in one of two ways. Either bad decisions are made, or the decisions themselves are good ones, but the lack of shared commitment leads to certain failure.

Either way, hidden ambivalence leads to a predictable pattern:

1. One or more executives recognize problems with an initiative, but don't express their doubts or suggest alternatives.
2. Decisions are made without the benefit of these differing perspectives.
3. Executives leave the room with varied assumptions about the next steps, lack of shared commitment, and no accountability.
4. Executives can't gain the full commitment of the workforce when they themselves are not fully committed. This slows the pace of progress.
5. The slower the pace of progress, the less confidence everyone has in the potential of the project to deliver results.
6. This decreased confidence becomes a self-fulfilling prophecy -- and the initiative fails.

Hidden Ambivalence Stalls Performance

Ambivalence within an individual means that she feels pulled in two directions. Perhaps she believes that she needs to follow “procedure” and carry out directives. At the same time, she believes that going in a different direction is in the company’s and her own best interest. In the case of a specific project or decision, the executive may see some real advantages to the idea, but also recognize some real problems.

As long as this ambivalence remains hidden, it can’t be addressed. The executive remains divided, resulting in no emotional commitment to the strategy. Subordinates don’t get clear direction and messages directed to the workforce are ambiguous. Workforce supervisors then pass this ambivalence on down, and, without confidence in the boss’s commitment, the people who must carry out the plan don’t act decisively. Additionally, when someone takes action that doesn’t further the company’s new strategy, executives are unlikely to call that person on his behavior.

As company leaders begin to sense that progress is stalling, they often seek outside help to turn things around. Seminars, workshops, and team-building exercises are frequently used in an effort to build momentum. While such programs can be helpful, without genuine commitment on the part of senior executives, these interventions yield temporary results at best.

Outside consultants may also be asked to address specific areas of non-performance: for example, “how to increase collaboration between marketing and design,” or “how to strengthen commitment to our new quality control standards.” However, these specific areas aren’t where the problems begin. When consultants address execution problems at midlevel, they typically address only symptoms. Without identifying the root cause, non-performance is destined to continue.

Hidden ambivalence explains why you can have meeting after meeting to discuss a stalled project, without any measurable improvement.

In one IT organization, to stem their loss of market share, the CEO needed to transform the culture of competing operating units and individual “stars” into a culture of collaboration and information sharing. In one meeting after another, top executives would pay polite lip service to collaboration. Yet their business units continued to compete with each other for customers, withholding critical information that could increase revenues for the entire organization.

As long as ambivalence remains hidden, it can’t be addressed. Executives invest little energy in the strategy. Subordinates don’t get clear direction and messages directed to the workforce are ambiguous. Workforce supervisors then pass this ambivalence on down. Without confidence in the boss’s commitment, the people who must carry out the plan don’t act decisively.

Psychological Mechanisms Leading to Groupthink

There are a number of psychological mechanisms that lead to Groupthink. Some of the most common are:

PRESUMED UNANIMITY - We tend to squelch our own ideas when we think everyone else agrees on an issue, and we don't share the majority viewpoint. Few of us are comfortable being the "odd man out."

TWO HEADS ARE BETTER THAN ONE - In a group setting, we tend to over-estimate the thinking of the group as a whole. We believe that decisions made by a group are better than those made by lone individuals.

RATIONALIZATION - We maintain our self-respect by rationalizing our behaviors. To rationalize away any lingering doubts, a group member might think, "I'm not really an expert in this area, the experts must be right," or "I'm sure that if it were significant, somebody else would have brought it up."

In that organization, compensation and promotion systems were so tightly linked to unit performance rankings that it would literally cost division leaders money to share information that would benefit others. No one spoke up about this clear lack of alignment between strategy and compensation. As a result, executives continued to jealously guard information, even as company performance suffered.

Hidden Ambivalence Mimics Groupthink

Like groupthink, unaddressed ambivalence leads to confident but poor decisions. However, the psychology behind these two dynamics is quite different.

With groupthink, executives don't share their views when they conflict with the **majority** perspective. This is due to powerful, but sub-conscious, group dynamics. In an effort to maintain "group status" – individuals **devalue** their own critical judgment, convincing themselves that what they have to say isn't significant. A number of mental mechanisms are at work here. (See sidebar) The result is, while everyone contributes to the deliberation, the contributions reflect only the majority view.

In contrast, with hidden ambivalence, executives fail to share doubts, raise questions, or present conflicting perspectives because of the culture. The executive knows his perspective has **value**, but for political reasons doesn't share these views with the team.

The difficulties of both groupthink and hidden ambivalence can be overcome. However, in order to "cure" the problem, you must first have an accurate diagnosis.

Causes of Ambivalence

There are a number of counterproductive dynamics that lead to hidden ambivalence at the executive level.

The Leader Is Always Right

In some organizations, no one is allowed to be smarter than the CEO. The CEO herself might diminish, brush off, or even oppose any information that contradicts her perspective. Or the culture might value the image of the all-knowing leader so much that any hint of disagreement is vigorously challenged. A senior executive new to the team might express conflicting views, which are then criticized, belittled or rejected outright by the rest of the group. This pressure pushes the non-conformist to fall into line and hold his tongue in the future. A new CEO, entering this type of culture from the outside, is easily fooled by the appearance of consensus, when, in fact, there is significant opposition to his views.

Predetermined Outcomes

In some organizations, senior team meetings are a formality rather than a vehicle for effective decision-making or accountability. Either before a meeting or soon after it begins, everyone knows that the decision has been made. So why waste time offering conflicting views? Politeness is enforced and consensus is predetermined. No one takes the risk of disagreeing or offering alternatives.

Conflicting Views Become Interpersonal Conflicts

Some executive teams, rather than encouraging politeness, engage in outright battles. Disagreements are expressed as put-downs and are often treated as personal attacks. Anxiety over difficult choices leads to anger directed at colleagues. When the criticisms turn personal, subgroups in the organization turn on each other. After a few hostile episodes, team members learn to keep their mouths shut.

Succession Maneuvering

Toward the end of a leader's tenure, if a clear succession plan isn't in place, the executive team can easily lose its ability to function effectively. Instead of serving as a resource for collaboration, debate, and effective decision-making, senior team meetings deteriorate into a competition between potential successors. Political positioning and maneuvering get in the way of constructive work. Executives focus on posturing, diplomacy, and caution each attempting to outdo the others in order to gain political advantage.

Uncertainty Leads to Insecurity

During times of transition, when there's a new CEO, a merge, or a new executive team, the uncertainty of

the environment leads executives to watch their steps and avoid potentially contentious issues. There is no baseline of trust, so few are ready to take risks. This uncertainty is a major reason why executive transitions are so often plagued with problems of stalled execution.

Prior Experience

An executive, new to the senior team, brings with him his history -- his baseline reference -- of how executive teams function. If his former team's culture was characterized by frank discussion, and open debate at the top, he is likely to speak his mind. If information hoarding and sugar-coating bad news was the standard procedure, and sacred cows were off-limits, he is not likely to contribute candidly to group discussions.

When we worked with one executive to resolve this issue, he recounted, "In [my previous company], when I took over a new unit, I was encouraged to speak my mind. However, when I brought up the fact that one division was eating up too many resources; and suggested looking for a potential

buyer, I was treated as though I wanted to sell someone's child! For a long time after that, it was hard to get support for anything I wanted to do; so I learned to keep my mouth shut."

Lack of Time

Today's rapid pace of change, combined with the natural fear of more agile competition, has led to the belief that the best business decisions are the fast ones. This mentality is very seductive. Committing to a course of action prematurely often leads to ambivalence in those who must carry out the plan. It's true that, in today's environment, victory often goes to the swifter competitor. However, the speed that matters is speed of EXECUTION, not the speed of DECISION.

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Eliminate Ambivalence & Increase Your Competitive Advantage

A highly functioning executive team with multiple points of view is the greatest competitive advantage your company can have. A team of great people, functioning collaboratively and addressing problems rapidly, vastly increases your alternatives for growth, maximizes creativity, and accelerates your response to changes in the market.

In today's fast-paced business environment, where the more agile competitor is often the winner, you can't afford to let hidden ambivalence slow you down. Yet this dynamic tends to be the rule rather than the exception in companies of all sizes and in all industries. In an effort to maintain a peaceful status quo, leaders often fail to examine their senior team dynamics. This is misguided.

Unanimous agreement at the senior executive level is *not* a characteristic of the highest performing organizations. Candor is. Effective decisions, as Peter Drucker said, are always judgments based on "dissenting opinions," rather than on "consensus on the facts."

Occasionally, disagreement about a course of action can cause an executive to leave an organization -- not always a bad thing. However, ambivalence paralyzes the organization, and that is *never* a good thing. Ambivalence is also more likely to destroy executives' relationships with each other. That's because it's easier for anyone to accept disagreement than to accept a peer who says one thing, but does another.

The answer to many of today's toughest execution problems lies in identifying and addressing hidden ambivalence. However, it's not easy. Not easy because you are fighting human nature, entrenched organizational behaviors, and good intentions. This is particularly true for senior management teams composed of highly talented, intelligent, successful, and psychologically complex individuals.

Eradicating hidden ambivalence can be an enormous and demanding task. The process requires psychological acumen, absolute confidentiality, and deft diplomacy.

In some organizations, eliminating hidden ambivalence may not be possible; however, the leader with the foresight and fortitude to address this difficult issue will be rewarded with an organization that sustains significantly higher levels of performance.

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