

The Five Fundamentals of Dealing with Change

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Some people, and some organizations, deal well with change. In fact, they seem to thrive on it. They take its challenges as sources of enormous energy to drive them forward -- yet they cut their own path. Like a surfer riding the face of a thundering comber, they use the power of the wave to create their own kind of beauty.

Some people, and some organizations, fall apart in the face of change. They seemed well organized -- nice office building, confident CEO, vigorous growth (or nice spouse, good family, positive outlook) -- until something changes in their environment. Maybe a major employer pulls out of town, a "golden agers" retirement development goes in, and the customer base changes suddenly. Or maybe it's a family change: the last kid has left home, and your spouse decides to open a business.

And it's Yeats all over again: "Things fall apart, the center cannot hold."

Things go from bad to worse in a spiral: a problem with getting the right mix of customers problem cuts income, margins fall. The banks see you're in trouble, and the short-term lending dries up. Your profit margin falls, you try to make it up on volume, and the service levels fall. Customer satisfaction falls, and those who can afford it go to some other shop -- and the customer mix problem gets worse.

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What's the real difference between those who thrive on change and those who fall apart, clawing and scrabbling their way down a slippery slope?

Is it just luck? Could be, if it happened once. But look carefully: people and organizations seem to have a pattern over their lifetimes. We all know some people that seem to shoot themselves in the foot every chance they get. Study companies that know how to survive, and you'll find corporations as much as 700 years old that have survived under monarchies, dictatorships, and revolutionary councils, through war and depression, plague and natural disaster. That takes far more than luck.

People and organizations that thrive on change share some fundamental attributes. And change is fractal: its basic nature looks the same at different scales. So the attributes that make an organization powerfully adaptive also make a relationship flexible and fruitful, a community livable, and an individual creative, adaptive, and secure in the midst of turbulence.

Five fundamentals

Organisms that thrive in a changing environment share these five necessary attributes:

- **Husbanded Resources:** Like an army that does not get too far ahead of its supply train, like a family that stays out of short-term debt and builds up savings, like a man who reaches his seventies with a body he has never abused, an organism that does not waste its capital has more options when it is threatened.

This can mean an array of things, depending on the context. In individuals, families and corporations, it means financial conservatism. It means not over-extending yourself. Search as you might among the oldest corporations, and you won't find any that practice creative financing. They tend to the fundamentals.

It doesn't mean you have to be rich. A little observation will show that rich people and organizations over-extend themselves as easily as anyone else. In many ways, in fact, they have more opportunity, since it is easier for people and organizations with assets to borrow money. It means, at whatever financial level you currently exist, keeping debt down and savings up, so that you have resources on which to draw when you need them.

In individuals, this means staying in good mental and physical health. In couples and families, it means working to keep the relationships vital and strong long before any crisis comes.

- **Abundant Relationships:** In an organization, we typically constrain relationships. We form our bonds with our immediate superiors and subordinates, and peers with whom we work closely. We don't form strong bonds with people in the next work unit over, or several levels above or below us in the hierarchy. Yet organizations in which people have multiple bonds and a lot of history together do better in times of difficulty.

In the early 1980s, John Kotter, in his groundbreaking study *The General Manager*, looked intensely at the management styles of CEOs and division directors who were generally acknowledged as excellent organizational leaders. One of the attributes these leaders had in common was that they seemed to know everyone -- not only their peers, subordinates, and superiors, but people in other divisions, clergy in the town, the union leaders, their counterparts at other organizations, the janitor who vacuumed their offices. And when the time came, each of these relationship was useful, often in unpredictable ways.

One of the many difficulties of the Vietnam War

was organizational: officers and fighting units were not trained and deployed together, as in most earlier wars. Rather, individual soldiers and officers were rotated in and out of units. The official rationale was that it was not good for fighting men to get "too attached" to their comrades and leaders. In practice, it meant less trust, with veteran fighters trying to survive their last weeks "in country" often going out into the jungle led by newly-arrived greenhorns that they barely knew.

**In organizations,
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In normal times, the depth and multiplicity of relationships within an organization seems merely pleasant, and preferable to a culture that is deeply divided between labor and management, the "suits" and the technicians, operations and marketing, along the thousand fissures that develop in the everyday world of work. In times of turbulence, abundant relationships become critical to the life of the organization.

In families, this means a richness and depth of relationships, not only within the nuclear family, but beyond the family walls into the extended family, and the surrounding community.

In an individual, this translates to full participation of all parts of the personality. Researchers into cases of "multiple personalities" tell us that these cases are only extreme versions of ourselves. In "multiples" the relationships between the parts of the personality have broken down, but we all have multiple parts. Often one part -- a controlling aspect, say, or a victimized aspect -- comes to dominate the personality, while other parts are ignored. This kind of personality is brittle and inflexible. Strong and flexible personalities bring all parts to the table, from the "inner child," full of wonder, delight, and sadness, to the controller, arbiter of order and purpose.

- **Abundant Information:** In our families, we keep secrets. We keep secrets even within ourselves: "Just call me Cleopatra, I'm the Queen of Denial." In organizations, we restrict information, holding onto it as a source of power.

In each of these situations, the individual parts of the organism have enough information to do their ordinary jobs, but not enough to help the organization through a crisis. If you have been through a natural disaster, you have seen how the need for information widens dramatically: suddenly you may need to know where the gas shut-off valve is, how to do CPR, or the best way to set sandbags.

In an organization, the difference between an open environment and a secretive one can be dramatic. I have seen an organization re-organize and downsize itself, eliminating half of all mid-level positions, in a single four-hour meeting, with almost all of those who left taking the decision voluntarily -- when they were given adequate information, and plenty of time before the meeting to think it over.

Certain types of information that organizations have, such as

personnel information and some securities information, are legally restricted. Others, such as Coke's secret formula and the design of Intel's next chip, are truly trade secrets, and must be guarded. But typically we restrict information far beyond those narrow boundaries. The ideal to which we should aspire, for the good of the organization, is a free flow of information.

"Just call me Cleopatra, I'm the Queen of Denial."

For instance, many organizations have improved their labor relations by cleanly opening their books to the union. The power lost is the power to manipulate and obfuscate. The power gained is the power to find common ground.

Sometimes revealing facts about yourself or your organization leaves you truly more vulnerable -- if, for instance, your strategy was based on tricking or manipulating the competition, your own workers, your spouse, or yourself. But such strategies are themselves questionable, since they damage the very relationships on which your survival depends

- **Distributed Power:** Each decision made as far from the center as possible -- that's a mark of an adaptable organism. In an individual, this looks like "trusting your gut," rather than ignoring your gut to follow a rigid plan. In a family, it means considerable autonomy for each individual, within the broad sense of the family's spirit and purpose. In an organization, it means that each decision is taken as low down in the organization as possible. The CEO deciding what kind of postage meter to buy is a sign of a flawed, brittle organization.

The reason is simple: a centralized, hierarchical organization fully uses only one brain: Mr. Big's. Every other brain is only used to execute his orders, with all the creative, inventive, entrepreneurial parts shut off, all the excitement and energy put on hold.

In order to harness all the brain power in your organization, you must give them tasks to work out -- which means giving them the decision-making power they need to try different solutions. They must have the ability to fail.

To many people, this seems an inversion of the norm in the powerful organizations they see around them. Yet some of the largest, most successful organizations on the planet are extreme examples of distributed power. The global headquarters of Royal Dutch Shell has little power over its various national companies, who work together through an internal commodities exchange. Visa International is designed on just such a model. It is owned by its member banks, all decisions are reached by consensus, and members are free to market the Visa products any way they like -- yet decisions are made rapidly, and consistency is enforced across the system, by mutual agreement.

- **A Common Story:** Healthy, flexible individuals have a clear sense of purpose, and all parts of the personality are lined up behind that purpose. In healthy, flexible families, communities, and organizations, everyone has a sense of what

their common endeavour is. The history of the organism is held in common, and its future vision is developed in common.

I have travelled many thousands of miles on Amtrak, and I have overheard many conversations among its employees. Not one concerned passenger comfort, safety, or efficiency -- what the employees might be giving to the life of the organism. Every single one concerned grievances, vacations, and pay negotiations -- what the employees are getting. At Budweiser, in contrast, any janitor or electrician will happily talk about the flavor and consistency of the beer, how it is attained, and how their job relates to it. At Sony's TV plants, the people on the manufacturing lines will gladly talk about the flatness of their tubes, the consistency of the image, and the brightness of the screen, and show off the new bracket they devised to decrease vibration in shipping.

It is this common story that allows an organization to function as a unit despite its distributed decision-making power. When Sony's TV unit in San Diego decided to design and market a cheap tele-conferencing monitor-top box, they knew what made a product a Sony, they knew Sony's product line, market position, and vision of the future. They didn't ask anyone's permission, but the venture fit right in. It was a true Sony product.

Test yourself

How well are you organization prepared to survive increasing turbulence? Look over these five attributes:

- **husbanded resources**
- **abundant relationships**
- **abundant information**
- **distributed power**
- **a common story**

How well do they describe you or your organization? What could you do differently to put yourself or your organization on a firmer, more conservative financial footing? To strengthen and multiply relationships? To increase the free flow of information? To distribute decision-making power? To nurture a common sense of the past, of your present daily purpose, and your vision of the future?

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