



## CALM – Dealing with Change Holistically and Dynamically

### Overview

Most organizations face transformational changes with some frequency. Examples include downsizing; mergers; adopting new enterprise software systems or other technology platforms; and changing markets, business models, or missions. Such changes are “transformational” because they significantly impact an organization’s structure, processes, culture, relationships, personnel, and possibly its very existence.

Transformational changes typically generate uncertainty, fear, and resistance, which reduce workforce morale, focus, and performance. These particular disruptive effects are social and psychological in character. As such, they are ubiquitous across organizational types and industry sectors □ commercial, non-profit and academic, and government.

The field of Change Management has emerged over the last several decades to help organizations anticipate these disruptive dynamics and respond proactively to mitigate if not prevent them. Change consultants predict problems likely to arise for particular organizations and transformations, and then prescribe strategies to address them. Change strategies typically include elements such as include targeted communication initiatives, and modifications to recruiting, training, job definition, and compensation programs.

Regrettably, the laudable goals of such interventions to “manage” change are rarely achieved: businesses and government agencies report high failure rates in navigating organizational transformations, despite spending considerable sums on change management consultants.<sup>1</sup>

This paper explores why traditional change management approaches fail. We then describe an alternative methodology that addresses these recurring problems called CALM™ (for Change, Adaptation, and Learning Model). CALM was developed by Dr. David Koehn, an expert in leadership, change management, organizational development and psychology. Dr. Koehn collaborated with DecisionPath to embody CALM in software using their ForeTell® decision support platform.

### Conventional Approach

Traditional change theories generally frame the challenges of managing transformational change in terms of three dimensions:

- Business (structure, outputs, enabling technologies and systems)
- Process
- People

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<sup>1</sup> For example, an estimated 50B\$ is spent annually on change management for US corporations. Some 70% of commercial efforts report failure. Surfing the Edge of Chaos by R. Pascale, M. Millemann, and L. Gioja.



While this model appears plausible, the old adage “The devil is in the details” applies. Consider, for example, a transformational change such as deploying a major enterprise information technology (IT) system. Change strategies based on proposed model often look something like this, with each track specifying methods for taking action and assessing performance:

- Business (IT Program) level:
  - Develop (or acquire/adapt) relevant hardware and software systems; integrate with existing enterprise systems; deploy;
  - Requirements definition and architecture/design
    - Reviews
  - Execution & deployment (acquire/implement/integrate)
    - Time and resource scheduling, budget and performance management
- Business process re-engineering level:
  - Extend or replace existing processes to exploit new system capabilities
  - Process analysis/design/validation
    - Modeling, simulation, pilots...
- People level
  - Introduce the new approach and educate the system’s end-users
  - Communication, functional training (i.e., how to use the new system)
    - Conduct awareness surveys, test users on acquired skills / performance

What is wrong with this approach? It ignores critical issues relating to *organizational readiness* to respond effectively to the imminent change. In particular, the people level strategy does not appear to explicitly educate the workforce regarding how the overall business processes will work. Nor does it address how the new system, processes, and work roles and responsibilities relate to the existing organizational culture. For example, what is the workforce’s ability – and willingness – to accept and effectively adopt the new system and way of doing things? In short, the traditional model pays only token attention to people other than as another set of organizational resources.

We contend that these omissions reflect a mechanistic orientation that is often seen in organizations managed under command-and-control paradigms. Such organizations emphasize classic project and program management disciplines. While undeniably necessary, these disciplines are insufficient: evidence indicates that transformational changes tend to succeed or fail owing to social and psychological factors rather than failures in allocating resources, scheduling tasks, and tracking performance.<sup>2</sup>

### **Winning the Battle □ and Yet Losing the War**

This critical point can be illuminated by drawing an analogy to a similar problem in business □ the high rate of failures of corporate mergers and acquisitions. Although exact statistics vary, most studies estimate an alarming rate of 30 to 80%. One study that

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<sup>2</sup> See, for example, John Kotter, *Leading Change: Why Transformation Efforts Fail*, Harvard Business Review, March-April 1995. Kotter’s work is very influential in the field and in the CALM model.



applied the standard of “failing to increase shareholder value” found an estimated failure rate of 83%.<sup>3</sup>

And yet, there is certainly no shortage of service providers that perform due diligence reviews for executives and boards of directors. Investment bankers vet the financial soundness of prospective strategic transactions. Accountants certify that the parties to strategic transactions have kept their books in accordance with accepted practices. Corporate lawyers screen transactions for exposure to outstanding liabilities such as tort actions or environmental problems.

The good news is that such due diligence services are generally effective in uncovering and blocking transactions that are problematic due to legal or financial factors. The bad news is that M&A transactions fall victim to other problems: research shows that up to 65% of failed M&A transactions derive from “people issues” such as intercultural differences between companies that lead to communication breakdowns and poor productivity.<sup>4</sup>

In short, mergers and acquisitions tend to fail because of “softer” non-mechanical factors. Professional service providers are unable □ or unwilling, due to potential liability issues □ to assess the critical factors that actually determine success or failure. The parallel to (other kinds of) organizational transformations is clear.

### **Address Transformational Change Holistically**

CALM focuses on measuring and addressing organizational readiness to accept and respond successfully to transformational change. CALM posits three “dimensions” of change, but structures them quite differently from traditional approaches.

CALM defines metrics to assess readiness to change at the business and business process levels and aggregates them together into a dimension called Infrastructure. CALM then defines two additional dimensions, called Organizational Mindset and Personal Mindset. These dimensions are composed of metrics designed to gauge critical socio-political and workforce readiness factors that the “people” level has traditionally ignored. These factors, summarized in Table 1, are drawn from the literature on organizational and individual psychology pertaining to change.

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<sup>3</sup> See for example, Mergers a rite of passage in life of U.S. companies, San Francisco Chronicle, Dec 19, 2004, available at [http://w4.stern.nyu.edu/news/news.cfm?doc\\_id=3741](http://w4.stern.nyu.edu/news/news.cfm?doc_id=3741). R Holthausen of Wharton, quoted in [http://executiveeducation.wharton.upenn.edu/oe/program\\_info.cfm?ProgID=442DE976-E985-8C0B-26AAA691E30B81C0&CatID=9B38459E-0119-5F20-290791F84473CFA0](http://executiveeducation.wharton.upenn.edu/oe/program_info.cfm?ProgID=442DE976-E985-8C0B-26AAA691E30B81C0&CatID=9B38459E-0119-5F20-290791F84473CFA0), and Intercultural Synergy in Mergers & Acquisitions, available at <http://www.kwintessential.co.uk/cultural-services/articles/intercultural-mergers.html>

<sup>4</sup> Intercultural Synergy in Mergers & Acquisitions, available at <http://www.kwintessential.co.uk/cultural-services/articles/intercultural-mergers.html>. See also Grant-Thornton study summarized in [http://www.verticalpulse.com/my\\_weblog/2006/07/merger\\_failures.html](http://www.verticalpulse.com/my_weblog/2006/07/merger_failures.html)



• <b>Organizational Mindset (4 factors)</b>
<b>Cultural Coherence</b> □ do values agree between what the org. says and does?
<b>Org. Alignment</b> □ are goals congruent across org. levels?
<b>Teaming</b> □ what are org. capabilities for cross-functional networking?
<b>Leadership Change Capacity</b> □ what type(s) of transformational leadership style do leaders display (R. Quinn)?
• <b>Personal (workforce) Mindset (6 factors)</b>
<b>Mental Schema Development</b> □ what are individual (self-)confidence levels with respect to Self Worth, Empowerment, Relationship Building?
<b>Work Preferences</b> □ what preferences do workers apply to types of work?
<b>Learning Capability</b> □ what learning skills do individuals possess (P. Senge)?
<b>Competency Development</b> □ what level of functional competency does workforce possess (B. S. Bloom’s taxonomy) ?
<b>Personal Competencies</b> □ levels of personal resilience (D. Goleman)
<b>Social Competencies</b> □ socially-focused emotional intelligence (D. Goleman)
• <b>Infrastructure (4 factors)</b>
<b>BPR &amp; CPI</b> □ bus. process reengineering & continuous process improvement
<b>Technology Upgradeability</b> □ flexibility in technical architectures & platforms
<b>Operational Agility</b> □ flexibility in policies & Procedures
<b>Organizational Adaptiveness</b> □ flexibility in org. structures

Table 1. Summary of CALM Organizational Readiness Metrics

Facilitated Delphi techniques are used to estimate values for CALM metrics, obtaining consensus from teams of leaders and senior workers drawn from all organizational levels. Metric values are estimated on a scale 1 to 100.<sup>5</sup> Precise values are not critical. What matters more in CALM is helping organizations explicitly assess the true social, cultural, political, and psychological challenges that need to be addressed when undergoing major change. As part of this process, group facilitators record the justifications, examples, and caveats for all value assignments along with the estimates themselves. The resulting record, maintained by the CALM software, paints a vivid picture of organizational status.

### Address Transformational Change Dynamically

Building on its assessment of organizational readiness, CALM provides a powerful framework for formulating, validating and executing strategies to enable transformational change. The overall approach is simple, and can be summarized as follows:

- Estimate your organization's initial readiness to respond to change
- Identify a target readiness state likely to ensure a successful transformation

<sup>5</sup> Once CALM has been applied initially, organizations can choose to collect more accurate data, for example, by conducting custom surveys. However, we find that candid intuitive judgments represent a surprisingly accurate starting point.



- Simulate progress from the initial state towards that goal state under different scenarios about future conditions and alternate change strategies

The details of how CALM carries out this approach are beyond the scope of this introduction. Suffice it to say here that the CALM software provides a set of modeling, “what-if” simulation, and analysis capabilities. This software models the primary environmental forces acting on the organization as it attempts to change. Examples include (external) economic conditions and internal leadership support and sufficiency of resources (internal factors).

CALM also provides a framework for defining prospective strategies for enabling change. Each such initiative consists of one or more phases with scheduled start and stop dates, estimated costs, and projected impacts on organizational readiness metrics. The CALM simulator then projects the likely outcomes of these strategies on organizational readiness. Finally, analytic reports and graphic plots summarize what happened and why.

In essence, CALM enables organizations to **practice and compare** alternate change strategies. These dry runs or “test drives” enable you to identify gaps in your plans and learn from errors at minimal cost: Mistakes in CALM exercises are virtual: they cause no actual blood, sweat, tears, or failures. Once potential problems are uncovered, organizations can refine prospective change strategies to improve their likely effectiveness.

Once robust change strategies are developed, they must still be executed successfully. CALM can be applied not only before one initiates a change but also while you execute it. This kind of sense and respond capability is critical, because while you execute your transformation and change strategies, your environment invariably continues to evolve, and your stakeholders respond and adapt to those changes and to your strategy. In monitoring mode, CALM acts as an Early Warning System, helping organizations to detect problems promptly, diagnose them, and make effective mid-course corrections to ensure success.

In summary, CALM helps organizations plan, validate, and execute strategies to respond more effectively to transformational changes and the disruptions they invariably cause. CALM focuses on the intangible factors that tend to drive success or failure in carrying out transformational change – namely social, political, cultural, and psychological factors. Anticipated benefits of using CALM include reducing risk of workforce resistance and productivity drops, and improved confidence, consistency and alignment in change enablement strategies.