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Adapting to disruptive change: implications and solutions for boards, CEOs, management teams, and employees

Across all industries and regions, disruptive change is the new normal. Technology, globalization, evolving customer behaviors, and a host of other factors are creating a highly dynamic business environment in which companies must constantly adapt or be overtaken. In some cases, the change is incremental and slow moving; in others, it is radical and immediate. But all change can be highly disruptive—at both the organizational and personal levels.

Management may understand all of that, and yet many of the efforts to manage and implement change fall short because they don't examine the underlying psychological factors all human beings experience

in the face of change. In periods of upheaval, people tend to revert to learned, predictable behaviors that may have worked for them in a more ordered past but that can limit their or their organizations' performance during a crisis. People can get rigid, hunker down, or even freeze. This can become a substantial problem among employees, whose behaviors in the face of change can have a huge impact on a company's performance. The effects are magnified, however, for the executives leading the company, and their rigid and maladaptive behaviors will have a proportionally larger impact.

Understanding the psychology of disruptive change can help executives manage such responses both in themselves and in their organizations. By learning how to identify maladaptive behavior and convert it to more-productive responses, executives will become better able to take the disruption as a genuine learning experience for themselves and their teams, steer their companies through a highly dynamic business environment, avoid obsolescence, and—most important—embrace new opportunities.



THREE PHASES OF DISRUPTION

The first step to managing disruption is to understand how individuals actually experience it and how they can potentially *be changed by it*. There is a distinction between the external event of change and the internal process of transition that each individual goes through in response to that change. Any kind of change involves not only something new but also the end of something old and familiar, and there is a period of uncertainty between the two.¹ What prevailing models tend to describe from a psychological perspective, however, is a return to baseline (for example, “acceptance”), whereas developmental psychology reminds us that people normally do not return to the same place after a disruption. In fact, it is the very experience of “unfreezing” that prompts us to grow and develop, to think differently, and to understand things in new ways. So, a model of the human experience of—and response to—change or disruption must be one of adaptation. Only in the minority of cases do people expend, albeit unconsciously, the significant energy required to remain “frozen,” to rigidly defend against adapting to change.

To make sense of this transition, consider a three-part framework that shows how people work through disruptions—everything from the replacement of a supervisor to the large-scale transformation of an organization (figure 1).

- **PHASE 1** represents the initial disruption. To most people, this feels like loss or even a threat. Common reactions are fear, anxiety, acute stress, and grief. The fight-flight-freeze response often gets activated, and people might become rigid in their behavior and closed down in their thinking.
- **PHASE 2** represents the processing period, in which participants begin to make sense of the change. They may continue to experience some of the reactions from the first phase—such as fear, anxiety, and self-doubt—yet as they process the change and work through it, they may begin to look to the future, feeling curious, accepting, and hopeful. This is the path of adaptation that is typically led by a talented executive who can acknowledge the real threat inherent in change but who can also create an environment in which people can see real advantages to opening up. Some, however, may not be able to make the transition and instead may remain rigidly fixed in negative emotions and maladaptive coping.
- **PHASE 3** represents mobilization and growth, a phase led by the actions of a self-aware executive and in which the reactions of most people are far more positive than negative. People may feel some anxiety but also excitement, energy, hope, and increased confidence. The few who were unable to tolerate the anxiety and uncertainty of reflecting on the loss or change or to make sense of the experience in phase 2 follow a path of rigidity, which precludes growth.

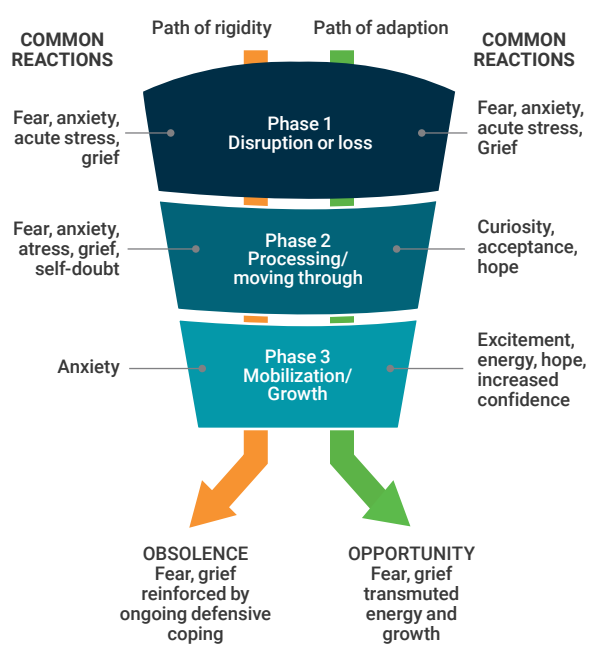
COMMON RESPONSES TO DISRUPTION OR CHANGE

As people move through the phases, their emotions will elicit certain behaviors. For example, employees facing disruptive change often have a wide range of responses that can significantly affect individual and organizational performance, engagement, quality, and retention. Some employees may embrace change—usually as a function of their personalities—and others may initially respond with denial and resistance.

¹ William Bridges, *Managing Transitions: Making the Most of Change*, Third Edition, Da Capo Press (2009).

FIGURE 1: A THREE-PART FRAMEWORK FOR ADAPTING TO DISRUPTION

PROCESS IS NOT STRICTLY LINEAR – FEEDBACK AND FORCES ALONG THE WAY CAN PROMOTE ADAPTATION OR RIGIDITY



PHASE 1: Disruption or loss

COMMON PROTECTIVE DEFENSES

- Denial
- Regression
- Acting out
- Passive aggression
- Compartmentalization
- Intellectualization
- Rationalization

PHASE 2: Processing/moving through

MALADAPTIVE STRATEGIES

Continued defensive behaviour

- Avoidance

Cognitive distortions

- Filtering
- All-or-nothing thinking
- Over-generalization
- Jumping to conclusions
- Catastrophizing
- Personalization
- Blaming

Dysfunctional group behaviour

- Groupthink
- Conflict; Power struggles
- Scapegoating

ADAPTIVE STRATEGIES

Cognitive approaches

- Reframing
- Challenging thinking
- Affirmations
- Self-coaching
- Sense-making
- Exploration
- Perspective-taking
- Reflection

Behavioural approaches

Spiritual practices

PHASE 3: Mobilization/growth

- Mobilization processes
- Continued adaptive cognitive, behavioural and spiritual strategies
- Team alignment
- Idea generation/brainstorming
- Planning
- Decision-making
- Innovation

We've all seen these reactions in the workplace. Denial shows up as a refusal to talk about the real issues, explicitly refusing to acknowledge that a problem exists or continuing to talk about a direction or future that's no longer possible. Resistance is a more active version of denial, in which employees dig their heels in and fail to accept the company's new direction.

Significantly, however, the three phases—and the feelings and behaviors associated with them—are not strictly linear. Employees and executives can get bogged down in maladaptive responses during the first phase and then move to more-adaptive processes once the right forces are in play, such as a safe, supportive environment that validates the negative emotions but also challenges perspectives and prompts the consideration of new possibilities. The absence of such forces—or the presence of opposing forces such as poor leadership, an unsafe environment, or an environment characterized by negativity or refusal to acknowledge people's experiences—can create feedback loops that make it difficult for people to break out of maladaptive patterns. This can prevent them from ultimately turning the corner and advancing to mobilization and growth. As a result, the organization risks obsolescence.

Luckily, maladaptive responses can be identified and managed so that employees can move through the transition and begin to build on it in a positive fashion. Managers and executives can take steps to increase trust up and down the org chart. Communication is key: a clear explanation of why the company is pursuing a specific course of action—and what it means for employees—can reduce maladaptive responses. That said, too much information can also be a problem. Beyond a certain point, employees feel overwhelmed. And change that will have negative implications for employees—like loss of authority or a change in location—often trigger greater resistance.

THE CHALLENGE FOR EXECUTIVES

Among company leaders, the effect of disruptive change can sometimes be magnified due to the high stakes and the level of urgency that executives routinely confront. In this situation, individual and group effectiveness may plunge. Leaders revert to familiar, conservative responses that worked well in a static environment. (Indeed, because executives by definition have succeeded in their careers, such familiar responses may be deeply engrained.) But in a radically dynamic environment—one that presents hard and unfamiliar challenges—well-learned responses are overly simplistic and maladaptive.

What does this look like in the real world? The problematic behaviors will likely be familiar to many readers, in the forms of:

- **Defensive behavior** such as avoiding the problem by staying busy without addressing core issues or by creating a task force to study the issue.
- **Cognitive distortions** such as filtering by focusing on the negative or on one bit of data in isolation; or all-or-nothing thinking (“If we make one change, we’ll have to change everything”); or jumping to conclusions without sufficient data.
- **Dysfunctional group behavior** such as groupthink (easy consensus, unanimous decisions, lack of debate); or power struggles (jockeying for power); or scapegoating.
- **Highly rigid, stereotypical behavior**, such as a retrenchment to strict policies and procedures or an inward focus that excludes external reality (also known as autistic management²).
- **Consolidation of power** and rejection of deviants (meaning, those with nontraditional solutions or innovative approaches).

The behavior itself is not necessarily the issue; rather, the context changes its value. For example, some leaders may respond to change through an approach known as pragmatic coping, which is defined as an extreme degree of focus on short-term responsibilities. Consider an executive who is worried about delivering a budget to the board. During static periods—which may have represented much of that executive’s experience while working the way up the corporate ladder—that may be the right response. But in periods of disruptive change, it can represent a willful disregard of the company’s true situation.³

Over time, executives’ maladaptive responses to change make the organization more rigid and less able to deal with threats—a phenomenon known as the threat-rigidity response. As the stakes rise, people cling more tightly to familiar patterns, creating a vicious circle in which they become less adaptable and less flexible, instead repeating responses in a dysfunctional fashion regardless of whether those responses actually deal with the problem at hand.

HOW EXECUTIVES CAN BETTER HANDLE CHANGE

Handling disruptive change is increasingly becoming a core capability for organizations and executive teams. How to get there? We think there are three specific aspects.

The foundation

First, a company must consider how to handle change *before* change happens. That is, the company needs a foundation of basic capabilities and techniques that will help it prepare for the inevitable crisis. In part, the situation comes down to whom the company brings into the C-suite and boardroom. When recruiting, selecting, and developing board members and senior leaders, the company should look for candidates with experience in handling heterogeneous challenges. Research suggests that prior experience with change leads to more-flexible and more-creative responses in the future. Conversely, those who come from highly stable fields that experience little disruption may be less prepared to handle change.

Second—and somewhat counterintuitively—organizations should look for failure in the backgrounds of their executives and board members. Failure can be a valuable learning tool, enriching the skills of—and toughening—those who have experienced and overcome it directly. Leaders who have never experienced failure may have a risk-averse attitude when facing future challenges. Deriving valuable lessons from failure depends of course on the extent to which the person faced the failure, reflected on it for learning, and made sense of it in a way that led to more-effective responses in future situations.

Finally, once boards and management teams are in place, the company should foster high performance. For example, the executive team can clarify and enforce operating norms to avoid groupthink or premature consensus when making decisions. The team can also actively consider what-if scenarios and develop strategic contingencies. The essential question is not whether change will affect the organization but, rather, what that change might look like once it hits.

² O. Muurlink, A. Wilkinson, D. Peetz, and K. Townsend. “Managerial Autism: Threat Rigidity and Rigidity’s Threat.” *British Journal of Management* 23 (2012), S74–S87.

³ G.A. Bonanno and A.D. Mancini (2005); G.A. Bonanno (2009); E. Flores, D. Cicchetti, and F.A. Rogosch (2005).

FIGURE 2: ADDRESSING RESPONSES TO CHANGE: CONFRONTING AND CHALLENGING MALADAPTIVE BEHAVIOR AND PROMOTING ADAPTIVE BEHAVIOR AND GROWTH

CONFRONT, CHALLENGE		PROMOTE	
MALADAPTIVE STRATEGIES	LOOKS/SOUNDS LIKE	ADAPTIVE STRATEGIES	LOOKS/SOUNDS LIKE
Continued defensive behaviour		Cognitive approaches	
Avoidance	<ul style="list-style-type: none"> Let's create a task force Staying busy without addressing real issues 	Reframing	<ul style="list-style-type: none"> Another way to look at it is... What's the opportunity in this?
Cognitive distortions		Challenging thinking	<ul style="list-style-type: none"> Is that really true?
Filtering	<ul style="list-style-type: none"> Focusing on the negative Focusing on one bit of data 	Affirmations	<ul style="list-style-type: none"> I'm resilient/fortunate/loved/healthy/smart
All-or-nothing thinking	<ul style="list-style-type: none"> If we make one change, we'll have to change everything 	Self-Coaching	<ul style="list-style-type: none"> One step at a time What would
Over-generalization	<ul style="list-style-type: none"> Everything about x is flawed Everything x ever did was wrong S/he never supported this 	Sense making	<ul style="list-style-type: none"> What does this all mean? How does this fit into the broader picture?
Jumping to conclusions	<ul style="list-style-type: none"> S/he expressed doubts so must have lost faith in me/the plan Predicting/judging without data 	Exploration	<ul style="list-style-type: none"> What is possible? What if? Let's dig into that. Let's consider a few scenarios. Why do you think that?
Catastrophizing	<ul style="list-style-type: none"> Never work again My life is over The organization is destroyed We'll never figure this out 	Perspective taking	<ul style="list-style-type: none"> What are others experiencing? What would x think?
Personalization	<ul style="list-style-type: none"> It's all my fault I must be a terrible leader 	Reflection	<ul style="list-style-type: none"> What have we learned/are we learning? Why did that happen? What did we expect? What is the impact on people?
Blaming	<ul style="list-style-type: none"> It's the Board's fault It's the Employee's fault It's the Team's fault Our competitors' unethical behavior is to blame 	Behavioral approaches	<ul style="list-style-type: none"> Seeking social support Physical exercise Stress management Dialogue External networking
Dysfunctional group behavior		Spiritual practices	<ul style="list-style-type: none"> Prayer Meditation Centering
Groupthink	<ul style="list-style-type: none"> Easy consensus, unanimous decisions, lack of divergent perspectives, lack of debate 		
Conflict; power struggles	<ul style="list-style-type: none"> Interpersonal, group conflict Jockeying, positioning 		
Scapegoating	<ul style="list-style-type: none"> Singling out or unfairly blaming a person or group 		
PROMOTE			
MOBILIZATION PROCESSES			
<ul style="list-style-type: none"> Continued adaptive cognitive, behavioural and spiritual strategies Team alignment Idea generation/brainstorming 		<ul style="list-style-type: none"> Planning Decision-making Innovation 	

The link to innovation

There is a clear relationship between change and innovation. After all, innovation is simply deliberate and intentional change. By applying the skills that distinguish innovators from noninnovators, companies can become more flexible and better able to consider new perspectives. This requires active effort and may run counter to the prevailing ethos at certain deeply conservative organizations, yet research suggests there are several clear areas of focus.⁴ For example:

- Questioning moves people beyond the prevailing view to imagine new possibilities by asking, Why? Why not? What if?
- Observing provides individuals with raw data about how people live, work, and play, which can lead to insights and new ideas.
- Experimenting enables executives to experience, explore, and discover new territory, whether intellectual, cultural, or physical.
- Networking exposes executives to a wide range of people who have diverse backgrounds, experiences, ideas, and approaches to expand one's own repertoire of thoughts, views, and perspectives.

⁴ J.H. Dyer, H.B. Gregersen, and C.M. Christensen, "The Innovator's DNA," *Harvard Business Review* 87, no. 12 (December 2009).

During the disruption

When change comes, executives should take steps to manage their own responses and then seek to lead change throughout the organization. First, they should have a skilled facilitator or trusted advisor in place—either internally or externally—who can provide guidance and serve as a more objective sounding board and challenger to the board and executive team. This can help the executive team shift from maladaptive to adaptive responses and shorten the time from the initial disruption to the mobilization and growth phase (figure 2).

If executives intentionally manage their own responses to the pending change, they will be better able to lead their organizations effectively. How? By becoming change leaders, communicating the new vision, defining exactly what the change entails, and building trust throughout the enterprise.

CONCLUSION

In the current business environment, change is constant and occurs more frequently than ever. If companies are to compete effectively, they have to learn to manage change. Behavioral science—the psychology of disruptive change and adaptation—can be invaluable to these efforts. Executives who fail to understand how psychology drives performance at both the individual and organizational levels will more likely struggle. However, those who understand the issues will arm themselves with the tools needed to embrace disruptive change—and through it, grow. ▲

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