

26 NOVEMBER 2014

Office of the Director of National Intelligence  
Washington, DC 20511

Mr. John Young  
Cryptome.org  
251 West 89<sup>th</sup> Street  
New York, NY 10024

NOV 24 2014

Reference: ODNI Case # DF-2014-00241

Dear Mr. Young:

This is in response to your 17 June 2014 email to the Office of the Director of National Intelligence (ODNI) (Enclosure 1), in which you requested, under the Freedom of Information Act (FOIA), "a copy of all correspondence with the Intelligence Science Board since its inception in 2002, including requests by ODNI and other agencies for studies currently underway by the Board."

Your request was processed in accordance with the FOIA, 5 U.S.C. § 552, as amended. A thorough search of our records and databases located documents responsive to your request (Enclosure 2).

Information has been withheld pursuant to the following FOIA exemptions:

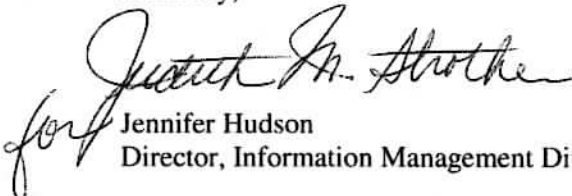
- (b)(3), which applies to information specifically exempt by statutes, specifically, 50 U.S.C. § 3024(m)(1), which protects, among other things, the names and identifying information of ODNI personnel;
- (b)(5), which protects privileged interagency or intra-agency information; and
- (b)(6), which applies to records which, if released, would constitute a clearly unwarranted invasion of the personal privacy of individuals

If you wish to appeal our determination on this request, please explain the basis of your appeal and forward to the address below within 45 days of the date of this letter.

Office of the Director of National Intelligence  
Information Management Office  
Washington, DC 20511

If you have any questions, please email our Requester Service Center at [DNI-FOIA@dni.gov](mailto:DNI-FOIA@dni.gov) or call us at (703) 874-8500.

Sincerely,

  
for Jennifer Hudson  
Director, Information Management Division

Enclosures

DF. 2014-00241

JUN 18 2014

**DNI-FOIA**

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**From:** John Young <jya@pipeline.com>  
**Sent:** Tuesday, June 17, 2014 1:15 PM  
**To:** DNI-FOIA  
**Subject:** FOIA Request

Office of the Director of National Intelligence Information Management Office Washington, DC 20511

I request a copy of all correspondence with the Intelligence Science Board since its inception in 2002, including requests by ODNI and other agencies for studies currently underway by the Board.

This material will be published on the public education website Cryptome.org.

I agree to pay for costs associated with this request.

Thank you.

Sincerely,

John Young  
Administrator  
Cryptome.org  
251 West 89th Street  
New York, NY 10024  
212-873-8700



## ATTACHMENT A: Meeting Agenda

### ISB Quarterly Meeting Achieving Transformative Change 18-19 September 2007

The MITRE Corporation  
7594 Colshire Drive, Room 0T325  
McLean, VA 22102

Change happens. But change almost never happens in isolation, i.e., one change often leads to another – some foreseeable, some surprising. Change can happen in world events and organizational relationships, in governing laws and internal policies, or in resource priorities and public opinion. Our response to change can be *reactive* (depending on our ability to recognize and respond to changes that occur around us), or it can be *proactive* (identifying specific changes we want to happen and taking deliberate steps toward making it so).

Some proactive organizational or business process changes may only be *cosmetic* (i.e., giving the appearance of change) or *fleeting* (i.e., dependent on the leaders then in place or on local circumstances and likely to revert when the leaders or circumstances, themselves, change). *Transformative* change implies more substantive changes in policy or business practices and carries with it a sense of “temporal permanence” – at least until there is a compelling need for the next set of changes.

A primary purpose of intelligence is to *anticipate* change, recognize when it is happening, and alert decision-makers in time to make a difference. To perform this alerting mission, the Intelligence Community must continually monitor and assess the behavior of our adversaries (and potential adversaries) as well as evaluate its own internal processes and methods. Transformative change can be enabled by (or even driven by) scientific or technological breakthroughs and often entails a *paradigm shift* or a change in the way a need or practice is perceived and thought about.

Of interest to the ISB is how to achieve truly transformative change in the business of intelligence, i.e., what are the conditions necessary for meaningful and lasting change? At this meeting the ISB will explore both the need for transformative change throughout the Intelligence Community and the mechanisms by which transformative change is being implemented. Current goals for transforming intelligence missions, agencies, processes, and relationships will be examined along with plans for achieving those transformations. Earlier experiences with pursuing transformation will also be discussed. Comparisons will be drawn with transformative change in the private sector, and some academic theories of change management will be introduced.



**TUESDAY, SEPTEMBER 18**

Time	Event	Key Participants	
0830-0845	WELCOME [U//FOUO]	(b)(3) (b)(6)	
0845-0915	RECENT DEVELOPMENTS IN ODNI [S//NF]		
0915-0930	INTRODUCTION TO ORGANIZATIONAL TRANSFORMATION [S//NF]		
0930-1030	TRANSFORMATION GOALS IN THE IC [TS//SCI]		
1030-1045	Break		
1045-1215	CHALLENGES OF CHANGE IN THE IC [S//NF] <ul style="list-style-type: none"> <li>• Observations on Change in the IC</li> <li>• The Project on National Security Reform</li> <li>• Introduction to an Analytic Case Study</li> </ul>		
1215-1245	Working Lunch		
1245-1345	TRANSFORMING <input type="text"/> [U]		(b)(6)
1345-1515	TRANSFORMATION EXAMPLES IN INDUSTRY [U] <ul style="list-style-type: none"> <li>• Repairing Mid-sized Companies</li> <li>• Business Transformation and Risk</li> </ul>		
1515-1530	Break		
1530-1700	TRANSFORMATION EXAMPLES IN INDUSTRY (cont'd) <ul style="list-style-type: none"> <li>• Organizational Change</li> <li>• Transforming <input type="text"/></li> </ul>	(b)(6)	
1700-1730	ISB ADVICE ON ANALYTIC CASE STUDY [TS//SCI]		
1800	DINNER [U] Café Renaissance		



**WEDNESDAY, SEPTEMBER 19**

Time	Event	Key Participants
0830-0915	VIRTUAL GAMING REAL WORLD ATTACK [TS//SCI]	
0915-1215	ISB DISCUSSION [TS//SCI] <ul style="list-style-type: none"> <li>• ISB Member Experiences with Transformation</li> <li>• Is there a "science" of transformation?</li> <li>• How can it apply to the needs of the IC?</li> <li>• Should the business of intelligence be reinvented for the modern threat?</li> <li>• What should be the role of the ISB in this process?</li> </ul>	
1215-1245	Working Lunch	
1245-1430	ISB DISCUSSION [TS//SCI] <ul style="list-style-type: none"> <li>• ISB Initiatives:                             <ul style="list-style-type: none"> <li>○ Cybersecurity R&amp;D</li> <li>○ Educing Information</li> <li>○ Risk Management</li> <li>○ Emerging Sensors</li> <li>○ Integrated Collection</li> <li>○ Biointelligence</li> <li>○ Suggestions for new initiatives</li> </ul> </li> <li>• December Meeting: Nuclear Terrorism</li> <li>• March Meeting: Operational Support</li> <li>• ISB impact, outreach, reporting, topics, membership, and direction</li> <li>• Contract funding status and plans</li> <li>• Summary of meeting actions</li> </ul>	
1430	Adjourn	

(b)(3)  
(b)(6)

## ATTACHMENT B: Summary of ISB Meeting Discussion

To explore how organizations actually achieve meaningful transformation, the Intelligence Science Board (ISB) devoted the fall 2007 quarterly meeting to the topic "*Achieving Transformative Change*." The Board focused on how instituting enterprise-wide changes in policies, business practices, and employee attitudes can result in **changes that stick**, i.e., changes that overcome normal organizational inertia and that persist across leadership transitions.

The meeting took place September 18–19, 2007 in McLean, Virginia, with invited participation from across the public and private sectors. We heard from current and former Intelligence Community leaders who described the need and current plans to transform the IC to address modern threats; innovators and CEOs from industry who have led transformations; consultants and academics who have studied transformation methods across a wide population; and the ISB members themselves who related their own experiences with transforming organizations.

In particular, we heard about the DNI's 100- and 500-day plans for transformation; emerging plans for standing up IARPA; and approaches to improving analytic standards and practices. In addition, invited guests described such experiences as turning around the major retailer Sears, forming the commercial geospatial company GeoEye, and implementing Walt Disney's dream in a Florida orange grove, among other topics.

The bulk of the presentations from the private sector focused on anecdotes about attempts to transform large and mid-size organizations – including both successful and failed endeavors. Speakers identified several factors that enable or obstruct enterprise transformation, but overall the presentations did not adequately address how these somewhat generic factors might specifically apply to the IC.

No general-purpose recipe for achieving transformation was defined, but several key contributing success factors were identified, including:

- ◆ The primary role of charismatic, visionary, passionate, optimistic, confident, and authoritative (but not dictatorial) **leadership**; the role of organizational structure and process definition is secondary but supportive.
- ◆ The strategic advantage of **being prepared** and waiting for the right opportunity to implement change – including the ability to recognize the enabling conditions as they develop and establishing a sense of urgency in the need for change.
- ◆ The tactical advantage of separating disruptive change organizations (**pilots**) from day-to-day operations to provide flexibility to sustain rapid change, and of visibly reinforcing (rewarding) desired behaviors while discouraging undesirable behaviors.
- ◆ The critical importance of clearly (and repeatedly) **communicating**: shared core values, the need for change to enable those values, a concept of operations for the desired end-state, and specific expectations for behavioral alterations in an empowered and motivated workforce.

### Conclusions from the Meeting

One critical end-state for intelligence that needs greater clarification is achieving **broader and more permanent interaction with the private sector**, within which will reside much of the deep technical expertise and understanding of foreign cultures that will characterize intelligence in the 21<sup>st</sup> century. To stay abreast of rapid developments in an increasingly globalized economy, the Intelligence Community must transform itself to move away from just thinking about *outreach to industry* and toward establishing a practice of *inreach by industry* – of facilitating public-private partnerships to ensure our national strategic advantage.

Another opportunity area to enable transformation lies in changing the business model from intelligence providers serving intelligence customers to a more complex **environment of continuous provision and consumption throughout a broader collaborative network**. Transformation to such an environment will also require concurrently transforming the consumers of intelligence products outside the traditional borders of the Intelligence Community.

In the quest to obtain the efficiencies of establishing common procedures and practices, however, the Intelligence Community must not lose sight of **the central role of a culture of risk**, encouraging imagination in recognizing the unusual, and the need to rapidly capitalize upon serendipity in novel ways. Recent experience with a continually co-adapting adversary has shown that it is precisely those threats that we are least focused upon that may do us the most harm. Organizational conditions must be maintained to consider novel approaches and alternative points of view, while avoiding immediate “reflexive rejection” of any new idea.

A repeated theme in the ISB discussions was **the pivotal role of information systems** in achieving transformation. Not only are information systems central to communicating and conveying the vision for the desired changes, they are also central to *implementing* the changes necessary for any modern organization. In the words of one participant, “We transformed an engineering company supported by information systems into an information company supported by engineers... We listened to our customers and focused on what their *information needs* were, not on our own systems and what we had to offer.” To paraphrase another, “The IC cannot solve tomorrow’s problems using yesterday’s (collection and analysis) techniques.”

Despite the important role of technology, **talent will remain the key to the future success** of the U.S. Intelligence Community. The hallmark of success in the 21<sup>st</sup> century will be a business model designed to unleash the latent potential of an intrinsically talented workforce. Such business models revolve around the concept of a network of communities of interacting knowledge workers operating in a knowledge-sharing marketplace. Whereas, in industry the goal of profitability and increased revenues is obvious and easy to measure, in the Intelligence Community the metrics are less clear. One presenter drew the analogy that: “Intelligence is for the government what finance is for private industry; that is, improving the timely flow of accurate and usable intelligence

is as central to effective decision-making in the U.S. government as improving cash flow and bottom-line totals is to industry.”

In the end, the ISB concluded that **the primacy of achieving the mission is critical to defining overall success** in any transformative initiative. Having strong leadership is important, but so is the external context of circumstances surrounding the change. There are times when transformation just cannot take hold; and the enterprise may just have to wait until these external conditions, themselves, change. Anticipatory changes rarely take hold; most transformative changes require a crisis to get everyone on board; but anticipating a crisis and having a plan for what changes are then needed can be critical to the eventual outcome.

### Implications for the Intelligence Community

From the discussion several implications may be drawn for possible use by the Intelligence Community.

1. *Refrain from appointing more czars and creating more overlay organizations.* When separate organizations are duplicating efforts or, worse, when they fall into a competitive dynamic that inhibits sharing, it is tempting to create a higher-level office to sort things out and promote collaboration. It rarely works: more bureaucracy and overhead are created, and problems of coordination among units persist. Experience (both in government and in the private sector) suggests that a frontal attack on the coordination problem itself, although managerially and politically challenging, is a preferable strategy.
2. *Exploit emerging collaboration technologies.* We are in the midst of revolutionary technology-driven changes in how people, groups, and organizations coordinate their activities in pursuing collective objectives in real time. Some units within the intelligence community are exploiting these developments; many others are not. A focused and well-resourced DNI initiative to track, deploy, and develop information-sharing and collaboration technologies could significantly enhance regular intelligence work—and, in the process, generate transformative changes in how that work is carried out, both within and between agencies.
3. *Commission research on effective strategies and tactics for transformative change.* Research conducted within the intelligence community on the following three topics could generate findings that are especially useful in strengthening our intelligence capabilities.
  - (a) What are the major blocks to collaboration within the community, and what strategies and tactics have been successful in circumventing them?
  - (b) What specific levers for change (that is, beyond such nostrums as “top management commitment”) have been found to be most feasible and powerful in improving the functioning of intelligence organizations?
  - (c) What times and occasions offer the greatest opportunities for transformative change, and when should leaders wait for more propitious circumstances before taking change initiatives?



**4. *Hold line managers responsible and accountable for the transformation of their own units.*** Resist any temptation to create an "organization development" group that would have responsibility for developing and implementing change programs. Such groups allow line managers to view change as someone else's responsibility. It must be their own, and they must be personally accountable for it.

**5. *Invent it here.*** More than a few observers have suggested that the intelligence community invest heavily in adapting for intelligence work the models and methods of business organizations. That strategy is risky for two reasons. One, businesses themselves rarely operate anywhere near as well as observers in government think they do. Two, the nature of intelligence work really is unique. Some commentators draw parallels between business objectives, such as competing for market share or maximizing profitability, and the objectives of intelligence agencies. Those parallels are forced and misleading. Intelligence organizations should be designed and led in ways that explicitly address the specific and unique challenges and opportunities of intelligence work.

## **Additional Key Ideas from the ISB Meeting – September 2007**

### Strategic Planning and the Need for Transformation

1. Perhaps intelligence is as central to the U.S. Government as finance is to private organizations. Intelligence is the basis for key government decisions; it is the linchpin that connects national security activities.
2. There appears to be a substantial disconnect between the IC and the broader scientific communities. The IC and its transformation plans must emphasize outreach and relationships with external organizations to avoid creating a transformed organization that is even further isolated.
3. The DNI's 500-day plan as presented appears overly "top-down." Establishing common fundamental core values across all the competing functional and organizational stovepipes might improve the ability to apply solutions across the IC while preserving special expertise.
4. The purpose of a strategic plan is to develop ownership in the changes needed. One must generate a common sense of urgency for change; do not be afraid of *not* having a complete plan before you start.
5. Legislation alone will not produce transformation; you must sell the ideas throughout the bureaucracy to convince them that changes are essential. Do not start making changes at the top; instead, change one manageable key area and then use it as an example for others.
6. You must be able to implement and adapt quickly; the U.S. Government has a cumbersome infrastructure that must be updated, but our adversaries do not. Any consideration of transformation must take into account how the adversary is also transforming. The IC should study foreign intelligence transformation initiatives.
7. Do not spend too much time on just creating the vision. Reorganization per se is not paramount; process and a common basis for data *are*. Behavior will revert unless the right process structure is in place. To achieve lasting change, redefine processes first, but base the processes on principles rather than on rules to allow flexibility. Shared services and information technology are critical to process execution. The plethora of information systems throughout the enterprise should be consolidated into just a few. Organizational changes can follow more gradually.

### Leadership and Vision

8. The organizations that most need transformation are often the ones least likely to have the resources necessary to achieve it. But anything can be accomplished if a capable champion wants to make it succeed.
9. Getting people to change requires leadership, and the key is the vision expressed by leadership. Vision is hugely important; communicating the vision is critical, and must happen much faster in today's world. Usually it is one individual with a vision who creates a culture that lasts even after the pioneer is gone.
10. Improved management alone cannot produce success. Changing organizational culture is essential. Middle managers focus on staying on time and on budget, but

success depends on producing a product that people want. First you need the great idea; then you pursue the funding. You must not allow the process to overwhelm the mission.

#### The Importance of Stories in Conveying the Vision

11. Any transformation effort must include a clear statement of what needs to change, why, and how you will know when you get there. Understanding the mission and culture of the group you lead is critically important. It is vital to support transformation efforts with sound theory, and that employees understand what senior management really expects of them.
12. Changing before problems arise can be very difficult. Leadership is key, and stories can help; evangelists are important to "keeping the cultural flame." The IC got out of the business of telling stories at the same time as it got out of the business of building knowledge (in large part because of personnel reductions in the 1990s). Neuroscience research confirms the importance of stories as a way to pass on knowledge. Stories must be readable and must flow. You need to give people some time off to actually study and learn, not merely report facts.

#### The Role of Customers

13. Successful transformations require that management take into account the customers and their values and then harmonize the story so that it hangs together consistently. Focus on your customers, even though they often cannot imagine or express what they might actually need; sometimes you have to challenge them.
14. However, operators should not dictate the product – they will not go beyond what they normally do. In fact, the IC may need to reconsider its concept of "customer." If unchecked, the customers will drive the IC toward a focus on specific tactical data and away from meeting its national security objectives. Customers (outside the IC) should be considered as targets for transformation as well.

#### The Value of Risk and Novelty

15. Intelligence involves taking risks and recognizing the inevitability of occasional failure. The IC must be willing to accept risk – and the risk of not changing can often be as great as the risk of actually executing some change. Insistence on achieving consensus can lead to organizations that will give you only what you are looking for, but precisely those things that you do not focus on can do you the most harm. You need to account for serendipity and the unusual.
16. A companion volume to Rob Johnston's *Analytic Culture in the U.S. Intelligence Community* should be written on the ethnography of the operational community. Successful transformation is all about passion, eccentricities, and attitude. It requires a flash of insight, a receptive audience, and people with less to defend. *More* formal HUMINT is not necessarily better; more *creative* approaches are

- needed. Central to successful transformation is dealing with *reflexive rejection* – immediately discarding a new idea because it seems counter to business as usual.
17. Turn-around is really a cultural revolution; it is better – and cheaper – to re-educate employees than to terminate them, and incentives can help. You also must challenge your people to provide a solution even when it may be outside their comfort zone; you sometimes need to push them to try innovation. Competition is a great way to discover and learn about talent and imagination.

### It's All About Managing Talent

18. The United States needs a centralized ODNI, but centralization often has unintended consequences. Centralization tends to produce standardization and regimentation, but the best intelligence professionals are often somewhat unusual and non-conformist. The real goal is competitive analysis, rather than just collaboration. You need people to argue over issues, rather than just trade data. The IC seems to be writing off its senior analysts. The young expect mentors, and the IC has failed badly at mentoring.
19. Humans are more important than hardware. You cannot mass produce a competent workforce, and you cannot create a competent workforce after the fact. You must spend both money and effort to keep your competent people; they do not want trinkets. But you also must be able to fire people who refuse to change. Being part of a winning organization is critical to morale and continued success; if you show people you care about them, they will follow you anywhere.
20. Talent has become the source of differentiation among mega-institutions. 20<sup>th</sup> century organizational models make it difficult to mobilize intangible assets and increase returns from talent. The 21<sup>st</sup> century model should be designed to unleash the latent potential of intrinsically talented people.
  - a. Focus on building a formal network rather than a formal structure.
  - b. Create a talent marketplace to enable people to move around conveniently.
  - c. Establish knowledge marketplaces.
  - d. Empower front-line managers with accountability and authority.
  - e. Share some utilities.
  - f. Embrace a much shallower structure.
  - g. Standardize roles and positions and make performance evaluations role-specific.
  - h. Develop single-enterprise governance.
  - i. Rethink how strategies are made (revisit them over time).
  - j. Consider organizational design as a tool for implementing strategy.

### An Emerging Approach

21. Sometimes the times are just not right for change, and you have to wait until there is a possibility that transformative change can take hold. Leaders should:
  - a. Be prepared – have a clear shared vision and develop a coalition of leaders with shared values that support the vision.

- b. Lie in wait – don't pursue continuous change, but wait for the right opportunity (a crisis), whether it is internal or external.
  - c. Force the balls into the air – optionally create a crisis to disrupt "business as usual" while they dismantle the enterprise and start over.
22. In pursuing transformation leaders must *not* do the following:
- a. Exhort.
  - b. Embrace "organizational development."
  - c. Bring in "Chainsaw Dunlap" to cut everybody loose.
  - d. Bring in some kids to see what they might try.
  - e. Create an overlay organization that merely adds a new layer bureaucracy.
  - f. Change the culture first.
23. The ISB (as "outsiders") might be able to help by:
- a. Defining areas where transformation is actually needed.
  - b. Defining what changes, in fact, should be pursued.
  - c. Describing what the IC would be like when the change was achieved.
  - d. Identifying serious metrics for analytic standards.
24. The ISB should identify some kind of CONOPS for how the IC might operate five years from now. This may be formed around the open (volunteer) approach, which may well provide a model for 21<sup>st</sup> century intelligence gathering.
25. The IC should be preparing *now* for the transition to the next Administration. Perhaps this might include defining a non-uniformed Intelligence Service with its own culture, and leveraging the Center for Excellence in Education to nurture interest among top-quality high school students. The ISB could help explore some of these more novel ideas and approaches.

## ATTACHMENT C: Thoughts on Organizational Transformation

### Remarks at a meeting of the Intelligence Science Board

September 19, 2007

(b)(6)

The focus of most research and writing about organizational transformation is on the actions taken by senior leaders. That is unsurprising since we all tend to over-attribute to leaders responsibility for organizational outcomes. Yet research on transformation suggests that the state of the external context, and the organization's relationship with that context, also are highly consequential for the success of such initiatives. In these remarks, I summarize some research-based observations about transformational processes, and I append a brief and selective list of potentially informative books and articles about organizational change.

I address three questions. One, under what conditions is transformational change possible? Two, when transformation is possible, what factors increase the chances that it will succeed? And three, what are the implications for those who initiate or lead transformational organizational changes?

#### **When is transformational change possible?**

Let me begin with an example far removed from the world of intelligence—professional symphony orchestras in the former East Germany. What happened to those orchestras turns out to have some provocative implications for transformational change efforts in the intelligence community.

East German symphony orchestras historically have been state-supported and widely recognized for their commitment to music in the “classical” tradition. Moreover, symphonic music traditionally has been widely available throughout the land (in 1990, for example, there was one symphony orchestra for every 220,000 citizens, a higher density than in any other country in the world). What is informative is what happened to East German orchestras at two times of great societal disruption: the advent of the socialist state in 1945, and the collapse of that state in 1990.

Shortly after the socialist regime took power in East Germany, two major policy changes were made. One, the resources available to orchestras no longer were contingent on their actions. Orchestras were partitioned into three “classes” and all orchestras in a given class were treated essentially the same: Orchestras could not improve their standing, nor was there any real risk of demotion to a lower class. Two, orchestras no longer had operational autonomy. All major decisions about artistic and operational matters were made by a central arts authority.

When that regime collapsed in 1990, these two policies were reversed. Now an orchestra's actions were enormously consequential for the level of resources it could obtain, and each orchestra had almost unlimited autonomy to decide how to it wanted to

operate. This dramatic increase in both resource contingency and operational autonomy made it quite likely that some orchestras would find a way to prosper whereas others would fail. And that is what happened.

Orchestras' responses to the 1945 and 1990 changes in their context could not have been more different. In 1945, orchestras responded to the dramatic reduction in resource contingency and operational autonomy by more tightly embracing their long-standing traditions. "Tradition is all we have left," one local manager concluded, "so we must do what we can to affirm it." One way that was done was in choice of repertoire. Central authorities had mandated that henceforth East German orchestras would emphasize in their programming works by contemporary composers from socialist states. Analysis of concert programs, however, showed that only 8 percent of the works performed by East Germany orchestras were by composers born in the twentieth century, compared to 20 percent for West Germany, 24 percent for the United Kingdom, and 32 percent for the United States. In this case, a politically imposed cultural system generated behavior opposite to that which was sought—a phenomenon not unknown in the recent history of some intelligence organizations.

The early 1990s, by contrast, generated an enormous number of transformational initiatives among East German orchestras. Now, for the first time in decades, orchestras could take initiatives to secure external resources and, because of the chaos of reunification, they had nearly complete control over local operations. The result was a rapid and striking sorting of orchestras: Many high-standing orchestras became increasingly strong, whereas numerous weaker orchestras entered into a downward spiral from which they never recovered.

When both resource contingency and local autonomy are high, transformational change is at least a possibility. When they are quite low, as was the case for East German orchestras in 1945, it is nearly impossible. Under such circumstances, transformation-minded leaders must either (a) take political action to alter the environment in which they operate before launching change initiatives, or (b) wait for the environment itself to change, which eventually it will, and in the meantime do whatever they can to keep their organizations alive.<sup>1</sup>

### **What Affects the Success of Transformational Change Initiatives?**

When transformational change is at least possible, what conditions affect the likelihood that it actually will succeed? Exactly that question is addressed in numerous management books and articles, some of which are included in the appendix to these

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<sup>1</sup> The worst case of all is when resource contingency is high but operational autonomy is low. That is, the fate of an organization depends greatly on what it does—but leaders have little latitude to make the changes that could make a difference. In these circumstances, ecological dynamics dominate in determining which organizations will survive and which ones will not. For a more complete analysis of when transformational change is possible, as well as details about the experience of East German orchestras, see Allmendinger and Hackman (1996).

notes. Here, I single out two conditions that appear to be especially potent in distinguishing transformational changes that "take" from those that do not.

1. The degree to which senior change leaders are both competent and embedded in external networks of relevant others. Because transformational change always requires juggling the often-conflicting interests of multiple stakeholders, extraordinary managerial competence is a must. And because transformational change always requires cooperation and support from external entities, change leaders must be well-linked to outsiders who can provide what is needed.

All the East German orchestras that successfully transformed themselves in the early 1990s, for example, had managers and music directors who were both competent and deeply embedded in relevant international networks. Those orchestras that floundered in this period tended to have marginally competent local leaders who were not well-connected in the symphony orchestra world. This is not just about symphony orchestras: Having competent, network-embedded leaders also is critical to the success of transformational changes in other types of organizations.

2. The prior strength of the organization. Even competent leader initiatives help only when the organization is already relatively strong. When the organization is weak, leader initiatives may be ignored or coded as mere rhetoric and not taken seriously. Alternatively (and even worse) is when the leader is viewed by organization members as a savior who personally will fix everything. When that does not happen, as it cannot, organization members may take things into their own hands in hopes of accomplishing what their savior could not.

To illustrate, consider a failing small business. After it becomes clear that the owner is unable to turn things around, rank-and-file members sometimes buy the owner out and convert the enterprise into a worker co-op. It almost never works. The track record of employee takeovers of troubled large businesses is just as dismal. Whether you are talking about a local hardware store or United Airlines, giving employees a significant ownership stake, by itself, rarely generates substantial and enduring improvements in organizational viability.

This phenomenon also was seen in East German orchestras. Almost none of the orchestras that were relatively weak when the socialist regime collapsed were able to reverse course. And they, like orchestras elsewhere that come to the brink of bankruptcy, tended to do even worse when the players took over. Players are great musicians, but they are no better as managers than most professors are as deans.

It is a perverse state of affairs. When transformational changes are needed, already-strong organizations whose leaders are competent and well-connected have a reasonable chance of becoming even stronger. Weak organizations, however, the ones most in need of transformational change, rarely are able to command and deploy wisely the resources needed for successful change. And under conditions of hyperturbulence, when the environment is changing both rapidly and unpredictably, this incapacity can be fatal.



### **What's a Leader to Do?**

This is going to seem too simple to be credible, but my sifting of the literature on organizational transformation surfaced just three imperatives for change-minded leaders. Each of the three imperatives focuses mainly on creating conditions that increase the likelihood of meaningful change. None is about specific change programs or techniques. If change-friendly conditions are in place, then there are many different ways to move forward competently. But if they are not, even superb execution will make little difference.

1. The first imperative is from the Boy Scouts: *Be prepared*. When a usually-closed door opens, one must be ready to walk through it without delay. The doors of organizational change do open on occasion, but they may not stay that way very long. Therefore, those who aspire to transformational change must prepare both themselves and their organizations to initiate action swiftly and competently when the time is right.

Personal preparation involves study, to be sure—thinking, reading, visiting other organizations, and doing other things that enrich one's perspective on the organization and its socio-political context. It also involves imaginative work—envisioning the shape and dynamics of the transformed organization. And it involves persuasion—sharing widely one's vision for change, and creating a shared sense of urgency about the transformation process. And, finally, it involves political action—building a coalition of people who are prepared to support the leader's vision for change, and taking initiatives to align the interests of powerful and potentially skeptical stakeholders whose cooperation will be needed.

Organizational preparations for change must also be made. As we have seen, transformational initiatives have a much higher probability of success for already-strong organizations whose leaders are both competent and active in relevant external networks. Organizational preparation, therefore, almost always involves significant changes in both staffing and systems—getting the right people on board and in the right roles, encouraging them to forge links with others, both inside and outside the organization, who can provide ideas about and support for the anticipated changes, and bringing basic operating systems and technologies up to an at least minimally acceptable standard.

When change leaders have done their preparatory work well, the organization and its people will be ready to engage with the changes when they come, rather than be thrown into disarray by yet another set of unexpected and unwanted perturbations. One does not set out on a planned sailing trip without preparation. Instead, one makes sure that the boat is ready, the crew is ready, and the intended course and destination are understood by all. And then, when the time is right, one can say, "O.K., we can go now" and get underway without delay.

2. The second imperative is to *lie in wait*. All systems move back and forth between periods of relative stability and periods of turbulence, and it is during the turbulent times

that transformational changes occur. Such changes almost never occur gradually and continuously, with each small step followed by yet another small forward step. Instead, an extended period when nothing much seems to be happening is followed by a period of rapid and multidimensional change, and then by yet another period during which no visible changes are occurring. This pattern is called "punctuated equilibrium" and it characterizes the evolution of species, human development, adult learning—and organizational change.

Wise leaders recognize that change initiatives during periods of equilibrium almost always require so many compromises and concessions that they have little chance of making much of a difference. They also know that during turbulent times major interventions have a greater chance of success and that even small changes may yield disproportionately large effects. So they watch and wait for the times of punctuation.

Transformation-minded leaders can be reassured by the fact that it rarely is a long wait for *something* to happen that destabilizes the system and, thereby, offers an opening for change. Sometimes turbulence is predictable, as when a new administration replaces large numbers of senior officials, or when a disruptive technology is about to be introduced. Other times it is not so predictable, as when the organization enters into an unanticipated period of rapid growth or belt-tightening, or when a dramatic exogenous event renders standard operating policies and practices irrelevant. All of these offer opportunities for change: The balls go up in the air, and the prepared leader brings them back down in a fundamentally different—and hopefully better—configuration.

Waiting is hard. One feels as if nothing is happening and, worse, that no one is doing anything constructive to stem organizational deterioration. Anxious leaders initiate change too soon and usually fail to achieve their aspirations. Change-savvy leaders wait for the right time.

3. The last imperative is to *kick the balls into the air*. It is addressed to those leaders who are unwilling or unable to wait, who feel they must make their move *now*. These leaders personally manufacture a bit of chaos in hopes of creating just enough instability to give change a chance.

Political revolutionaries regularly adopt this strategy to accelerate the fall of a regime they view as undesirable. Organizational leaders would never condone subversion or the promotion of violence to bring their enterprises to a state of readiness for change, of course. But they do the managerial equivalent when they take actions that cannot be ignored and that make it literally impossible for the system to continue on its present path.

Examples abound. One senior manager eliminated a significant number of jobs and then allowed incumbents to apply for newly defined roles in a reconfigured organization. The senior leadership team at another organization, after a series of frustrating and failed attempts at transformational change, started a "skunk works" far from headquarters and gave it virtually unlimited autonomy and resources. The existing operation struggled and

atrophied even as the new unit prospered and grew. Over time, these leaders accomplished a transformational change without ever having announced that one was underway. In another organization, the chief executive imposed a substantial across-the-board budget cut. Although purportedly done to achieve cost savings, the more important function of the cut was to force everyone to rethink how they did their business. An extreme version of this strategy was used by a private sector management team that chose to deliberately increase the firm's debt burden, and used the proceeds to pay a substantial dividend to shareholders. That action, which was taken when the firm's financial performance was fully satisfactory, forced managers to find ways to improve internal control mechanisms that they almost certainly would not otherwise have considered.

Draconian change strategies such as these make it literally impossible for a system to continue operating in its traditional ways. Because they introduce turbulence that cannot be ignored or waited out, they offer wide-open opportunities for constructive change. But as many political and organizational revolutionaries have learned the hard way, such strategies by no means guarantee that transformational changes will turn out to be good for the organization, for its people, for those it serves, or for the leaders who fomented the revolution. People get hurt in revolutions, even those who lead them, and even when they are successful.

### **What Not to Do**

The three imperatives just sketched—be prepared, lie in wait, and (perhaps) kick the balls into the air—derive from my reading of the research evidence about leadership actions that foster transformative change. Here, for balance and in a light-hearted spirit, is a short list of what actually *is* done in many change initiatives, actions leaders sometimes take that are guaranteed not to have their intended effects.

1. Issue exhortations to change in hopes that people will hear, understand, and act in accord with them. You can get two out of three on this one: They will hear and they will understand. But you will not observe many differences in actual behavior. Alternatively, engage a Famous Speaker (a distinguished scholar, perhaps, or a retired senior government official) to give a speech laying out an exciting vision of what your organization could become. Same outcome. Mere exhortation does not create change.
2. Launch a change program that involves extensive use of flipcharts, subgroups, timelines, and perhaps even project management software. There are lots of consultants out there who will design and execute an "organization development" change program for you. In its early stages, the program is sure to generate flurries of activity and interest. But then the sharp edges of participants' ideas will be sanded off as discussions go on and on, and eventually the program will wind down leaving behind many sheets of newsprint but few meaningful changes.
3. Bring in the chainsaw. Hire someone who is well-known for slashing through bureaucracies, taking no prisoners, and salvaging failing organizations. Ideally, this should be someone who has been profiled in a national magazine so organization

members will know what they're in for. Once the chainsaw has arrived, the fun begins: The more venturesome members of the organization find covert ways to undermine or counter the new boss's initiatives, while their more timid colleagues find places to hide until the chainsaw is gone. Which, sooner rather than later, he or she will be.

4. Send people off on benchmarking trips, sponsor outdoor team-building experiences, and spawn lots of focus groups. These are fun. They can be wonderfully engaging alternatives to the hard work of creating real organizational change.
5. Bring in a large number of fresh faces, and rely mainly on them to inject new ways of operating into the old system. New arrivals really do have new perspectives and ideas, especially those who come directly from school or from wholly different kinds of organizations. They also have a strong need to learn the ropes so they can be comfortable and productive in their new work setting. The veterans are more than happy to help the newcomers learn "how things work around here," because that will make life easier for everyone. The result: Standard routines are not disrupted, everyone is reasonably comfortable, and no transformative changes occur.
6. Create an overlay organization. Sometimes separate organizations that are supposed to be working cooperatively to achieve a larger purpose ignore, duplicate, or undermine each other. So they are herded together under the same organizational tent. A new level of management is created to run the overlay organization and to smooth inter-organization relationships. You know what happens next.
7. Engage the services of a consulting firm that promises to "change the culture" of your organization. But organizational culture is more an effect than a cause. It emerges from how the work is designed and managed. To try to change the culture without first (or at least simultaneously) changing how the organization operates is an exercise in futility.

## **Conclusion**

This commentary reflects my idiosyncratic views about what it takes to transform an organization. Although it is true that I have been around the organizational block a few times, I do not study transformational change. And I'm betting that many of those who do would find what I have said here naïve and, perhaps, heretical.

But I stand by my main points, as conservative about organizational transformation as they are. For one thing, transformative change sometimes is simply not possible. Organizations whose resources and operations are mainly determined by others, for example, are poor candidates for locally initiated change. And even when the possibility of such change exists, attempts to transform the organization are unlikely to succeed unless it already is reasonably strong and has leaders who are competent and well-embedded in relevant external networks. In such circumstances, change-minded leaders would be well-advised to defer launching their initiatives until they have first created the conditions that increase the likelihood of success.

Even when prospects for transformative change are reasonably good, success depends heavily on the amount and quality of the preparatory work leaders accomplish, on the proper timing of change initiatives, and on the degree to which leaders have either created a shared sense of urgency for change or have taken actions that make it impossible for the organization to continue to operate as it traditionally has.

What is a leader to do if there is no real prospect of creating favorable conditions for change? When this is the case, it may be worth considering what happened to German and Japanese steel plants after World War II. Because the old plants had been destroyed, there was no option other than to start over from the beginning. The same strategy may have merit for organizations for which the conditions for transformational change cannot be met: Kill them off and literally start over afresh. As painful as that can be, my guess is this most-draconian-of-all strategy is more likely to turn out well for those the organization serves than what typically results from timid or misdirected change initiatives that nibble at the periphery of the organization's mission rather than strike boldly at its core.

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