COMMUNICATING BIG CHANGE

Using Small Communication

Launch thousands of small face-to-face conversations between managers and employees.

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Communicating Big Change can be downloaded without charge (www.Larkin.biz).

Information in this report about specific companies is used with their permission or is publicly available.

Content in the sample briefing pages has been changed to protect company privacy.

We thank the following people for reading and commenting on an earlier draft of this report: Ms Jan Harkness, Professor Don Cushman, Professor Sarah King, Ms Judy Vowles, and Mr Louis Goldring.

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Part 3: Communicate Possible Outcomes

Sample Briefing Pages

Introduction

This report shows the best way to communicate big changes to employees in large companies.

When it's a big change, companies naturally think of big communication. This is wrong. We recommend small communication. Small communication is short, informal, face-to-face conversations between managers and their employees. Conversations, guided by briefing pages, about the change's possible outcomes.

Big communication is formal communication—and the more formal it is the more likely it will fail. Push aside the brochures, Web pages, emails, and town hall meetings. In the eyes of employees this doesn't even count as communication.

Instead equip managers to speak with their employees face to face. Launch thousands of informal face-to-face conversations guided by briefing pages showing likely or possible change outcomes (11 sample briefing pages begin on page 44).

The reason to change is simple: traditional communication is killing the change's implementation.

Traditional communication channels (emails, Web sites, brochures, town hall meetings) paired with traditional communication content (values, methodology, justifications, and good intentions) create maximum employee resistance. The full force of this resistance is felt the moment you begin implementing the change.

Small communication is informal and face to face between managers and their employees. Overwhelmingly this is how employees want their communication. And it's how you should want the communication too—as it delivers more employee support.

The payoff from this informal face-to-face communication is less employee resistance and better implementation.

BIG CHANGES:

Benefits

Outsourcing

Mergers

Spin-offs

Floats

Privatization

Downsizing

New technology

Best practices

Customer service

Teams

New operating procedures

Value campaigns

Remuneration plans

Pension plans

New employment contracts

Relocations

Differences between traditional and small communication

How most companies communicate big change.

Our recommendation for communicating big change.

	Traditional Communication	Small Communication	Why?
Timing	Communication begins near implementation	Communication begins during planning	Companies begin communicating too late. The delay, even more than bad news, turns employees against the change.
Channel	Primarily print, Web, and town hall meetings	Primarily face to face Mostly between a manager and his/her employees	Web is best for short, quick, information retrieval. Paper is best for learning new, long, complicated ideas. Face to face is best for overcoming employee resistance to change.
Content	Values, good intentions, and methodology	Possible outcomes of the change	Possible outcomes are the high-demand topic. If you are not talking about outcomes–you are not communicating at all.

Big changes have high failure rates

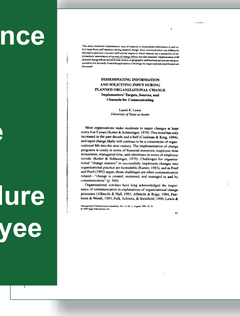
Change	Success Rate	Sample	Source
Big changes • mergers • major cost reductions • new pricing strategies	58% of companies failed to meet their targets 20% captured only a third or less of the expected value	40 companies	LaClair, McKinsey & Co.
Enterprise initiatives ERP, SCM, CRM	Only 33% of outcomes were viewed as positive Only 60% of companies said initiatives delivered sufficient value to justify the effort	100 senior executives responsible for ERP, SCM, or CRM	Archibald, Boston Consulting Group
Outsourcing (IT)	66% said business benefits were either only "partially" realized or not delivered at all Over half (55%) of benefits rated as "highly important" were not fully realized	116 organizations in Europe, Asia Pacific and North America	PA Consulting Group
Joint ventures	53% successful Successful means each partner achieved returns greater than the cost of capital	2,000 joint ventures	Bamford, McKinsey & Co.
Spin-offs	66% underperformed the stock market In first 2 years, the median performing spin-off generated annual returns for shareholders that were 7.7% worse than the S&P 500	232 spin-offs by S&P 500 companies	Lucier, Booz Allen Hamilton
Mergers • revenue growth	Only 36% of acquired companies maintained their revenue growth in the 1st Q after the merger announcement (compared with industry peers)	193 mergers	Southern Methodist University
Mergers • cost savings	Up to 40% of mergers failed to capture the identified cost synergies	160 mergers	Bekier, McKinsey & Co.
Mergers • cultural integration	60% of HR executives expected cultural integration to take one year—only 30% achieved this objective	90 European company mergers	Mayes, Hewitt Associates
Strategic change	Only 60% of projected value is ever realized	197 companies worldwide	Mankins, Marakon Associates
Cost cutting	Only 43% see cost reductions in year 1; only 10% maintain cost reductions past year 3	230 S&P 500 companies	Nimocks, McKinsey & Co.

Complete references on page 72.

Poor communication contributes to the high failure rate

In a study of 89 changes, employee communication explained 28% of the variance in change success.

This means that about one quarter to one third of the reasons for success or failure are associated with employee communication.



DISSEMINATING INFORMATION AND SOLICITING INPUT DURING PLANNED ORGANIZATIONAL CHANGE

source: Lewis,
University of Texas

An Analysis of Strategies for Announcing Organization-Wide Change

In a study of 43 companies downsizing or relocating a plant - 80% described their employee communication as a "major failure."

source: Smeltzer,
Arizona State University

85% of companies said communication during their merger was poorly managed.

Sample was 65 mostly high-tech companies including: Microsoft, AOL, and Sun Microsystems.

People Factors: The Missing Link in Merger Success

source: Devoge,
Hay Group

Harvard Business Review

Turning Great Strategy into Great Performance

source: Mankins,
Marakon Associates

When implementing strategic change, poor communication was the second biggest reason for failure. A "poorly communicated strategy" accounted for about 14% of the missing financial value. "Inadequate or unavailable resources" was the leading cause accounting for 20% of lost value. Study of 230 U.S. S&P 500 companies.

Three reasons why communication fails

1. Companies begin communicating too late.

Typically companies do not communicate while planning. Instead they delay until the plans are definite. This is a terrible mistake.

Unpopular changes always have employee resistance. But communicating late pours gasoline on the fire.

By delaying the communication, management hands control to others: angry employees, the union, reporters, and competitors. Rumors run rampant throughout the company.

Seeing the building chaos and resentment, employees expect their leaders to do something, to say something, to manage the deteriorating situation. But typically management does nothing. They are waiting. Waiting for the plan to become certain so they can begin communicating.

The decision to communicate a range of possible outcomes frees management to communicate earlier.

2. Companies do not understand what each channel does best.

Different channels excel at different communication tasks:

- *Web:* best for short, quick, information retrieval.
- *Paper*: best for learning new, long, complicated ideas.
- *Face to face*: best for overcoming employee resistance.

Mediated information (print and electronic) creates awareness but does little or nothing to overcome resistance. The company newspaper, Web site, and town hall meetings, inform but do not change employees.

3. Companies avoid talking about outcomes.

During the earliest communication, companies do not talk about outcomes. Instead they talk about: values, methodology, their good intentions, and the importance of embracing change. Of course, none of this works. Employees lose even more confidence in their leaders when they see the communication is empty.

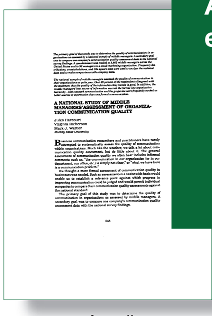
Later, near implementation, when companies finally do begin communicating outcomes, they ruin the communication with condescending attempts at persuasion and positive-story spin. Stop it. Simply communicate possible outcomes—leave everything else out.

Part 1:
Begin Communicating Early

Negative changes will always create employee resistance. But delaying the communication significantly increases this resistance.

Delaying communication maximizes employee resistance

The tragedy here is that delaying the communication creates an environment where implementation becomes almost impossible. And this, we believe, significantly contributes to the high failure rate of change (see page 8).



source: Appelbaum, Concordia University

Surveying the merger research, Appelbaum found the failure to communicate early is associated with:

- **increased hostility to the change**
- **increased employee departures from the company**
- **lower trust in senior management**
- **lower productivity**
- **delays in post-merger integration**

No communication during planning

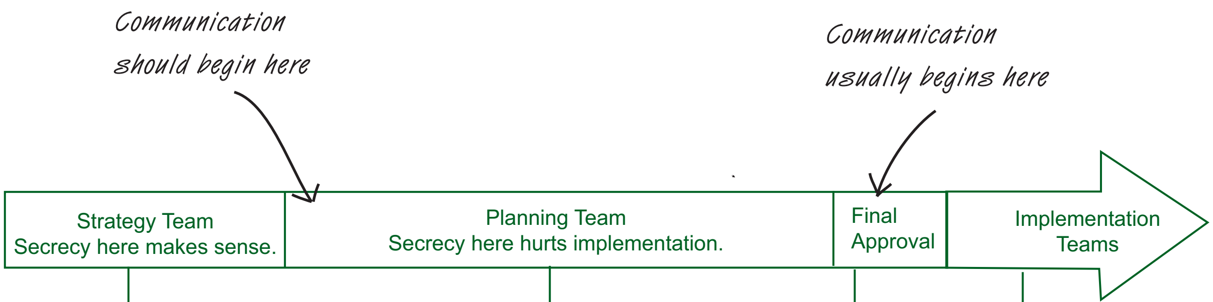
Frequent face-to-face communication during planning

Results from Two Merging Fortune 500 Companies*

Employee Attitude	Control Plant	Experimental Plant
performance	20% decrease	no change
uncertainty	24% increase	2% increase
intention to remain with company	12% decrease	6% decrease
job satisfaction	21% decrease	7% increase

*The data in the table is derived from a study by Professor Schweiger. Schweiger had baseline survey measures before the merger announcement. This allowed an over-time comparison of a control plant (no communication until final approval) and experimental plant (frequent face-to-face communication with their plant manager during planning).

Timeline



Planning Team

Perhaps 30-100 managers seconded full time from all parts of the company

Now there is a clear intention to change

Depending on the change: disclosure to the stock market

Depending on the change: employees may be told a change is planned

Rarely are employees told much about possible outcomes

Planning work typically lasts 3 to 6 months

Implementation Teams

Thousands of employees from all over the company, working on teams, usually part time

Turning the plan into a reality

Implementation work may last 1 to 3 years

Strategy Team

Perhaps 6-10 senior managers

Explores possibility of major change

This work should be secret

Final Approval

Change is approved by some or all of these:

- CEO
- senior executive team
- board
- shareholders
- government regulators

Typical Planning Time for Large Mergers
Announcement to Formal Approval

*BP and Amoco meger	100 days
Kmart and Sears	128 days
*NationsBank and BankAmerica	170 days
*Daimler-Benz and Chrysler	189 days
Cingular and AT&T (wireless)	240 days

*source: Fitzson, Booz Allen Hamilton

Typical Planning Time for a Large Outsourcing
Business Case to Procurement

6 months to 2 years

source: Deloitte Consulting

Begin communicating when you begin planning

Base early communication on the strategy team's work

The planning team can begin communicating on its first day of work. This is possible because the planning team does not begin with a blank sheet of paper. The planning team begins with the strategy team's report (see Timeline page 13).

CEOs do not approve major planning efforts based on nothing. Changes cross the line from strategy to planning based on a projected economic advantage to the company. The change enters planning with estimates of revenue increases and cost savings. Behind those estimates are key drivers and timetables for making them happen. Look here when collecting information for your earliest employee communication.

Early communication manages employee expectations

Managing employee expectations requires early communication. When you communicate very early, say in the first five days after a public announcement, employees expect an imprecise plan full of estimates, probabilities and contingencies. And that is what you deliver.

When you delay the communication for four, six, eight, ten weeks, employees develop an extraordinarily high expectation of detail to be communicated. An expectation you will not meet.

When employees, four, six, eight weeks later, receive a plan full of estimates, probabilities and contingencies—they think the planning team is incompetent or hiding the truth. These failed expectations are the beginning of a poor implementation.

Communicating early means communicating uncertain information

The decision to communicate early necessarily involves messages with uncertain content.

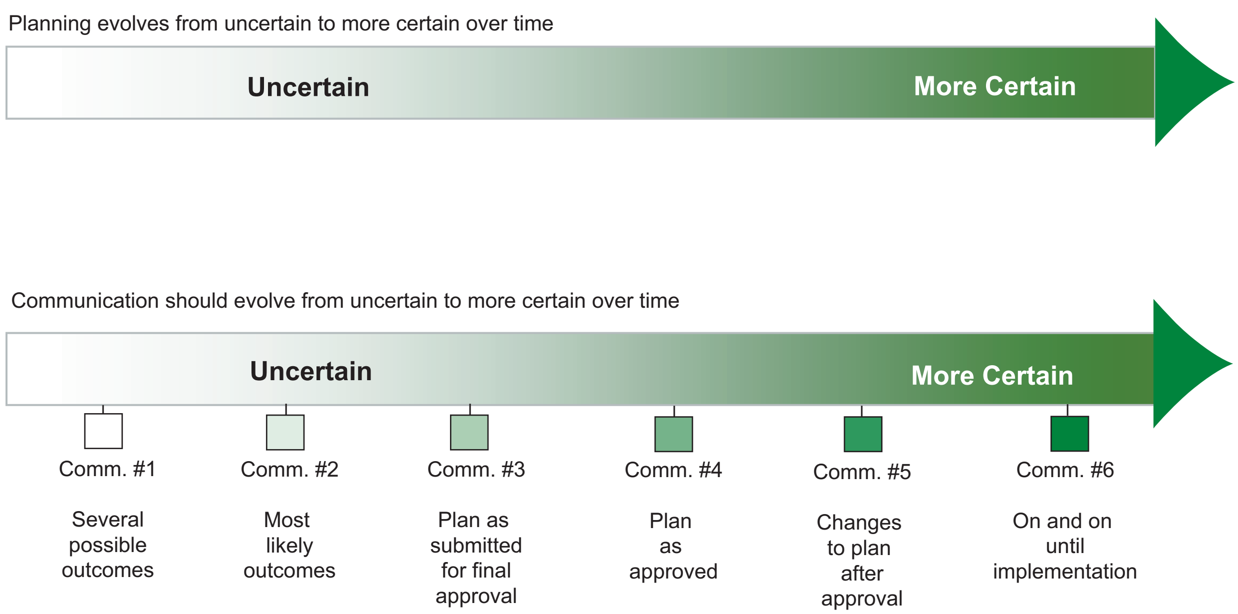
During the early weeks the plan is not finished. If the early communication is about outcomes, as it should be, then the content will be uncertain.

The solution is to communicate: scenarios, ranges, estimates, biases, probabilities. Most of the examples beginning on page 44 communicate uncertain outcomes.

Communication should be iterative and evolving, beginning with very uncertain information and slowly progressing toward greater certainty.

In the diagram below, each communication reflects the certainty available to the planning team at the time of communicating.

Communicate With Increasing Certainty Over Time



Adopting Greenspan-style communication

The small communication recommended in this report mimics the Greenspan approach to communicating interest rate changes.

What is the biggest secret in the world? Arguably changes in interest rates as set by the U.S. Federal Open Market Committee. Billions of dollars depend on changes in those rates.

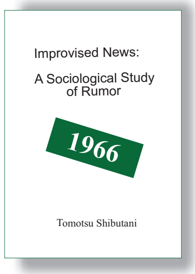
So how does the Fed keep its planning a secret? It doesn't. After eight years (1987 to 1995) of attempting secrecy, with mostly negative consequences, former chairman Greenspan changed to a "transparent" communication style. Greenspan decided to open his thinking to the market—continuously communicating a direction, leaning, bias, or weighting toward tightening or loosening rates.

"Wait! Doesn't the market react negatively to this *uncertain* information?" No. The market prefers uncertain information to silence, rumors, and big surprises.

"Wait! Doesn't this early communication lock the Fed into policy directions they may later want to change?" No. If they change their minds, they simply communicate a new direction.

This report recommends the same thing for communicating big changes in large companies. List the most important parts of your change (layoffs, plant closings, outsourcing, new organizational structure) and continuously communicate a bias, leaning, or weighting.

Forty-year history of rumor research



source: Shibutani

To

source: Bordia, University of Queensland

Sociologists have studied rumors for forty years. They have discovered how rumors develop and how they can be controlled.

The four most important findings in this research are:

1. Rumors are created by groups not individuals.
2. Rumor construction occurs in four stages: formation, evaluation, confirmation, and transmission.
3. Inaccurate rumors can be minimized by inserting correct information into the group before or during the confirmation stage.
4. After a group confirms the rumor and begins transmission, it's almost impossible to stop.

This helps explain the intense frustration companies feel when they cannot stop or correct inaccurate rumors. After the rumor enters transmission–it's too late. Executive denials do not overpower the employee groups' confirmation.

Rumor Stages

Formation	→	*Evaluation*	→	*Confirmation*	→	*Transmission*
Group creates hypotheses about the change's possible outcomes.		Group tests these hypotheses against available information. Cautionary statements, "I'm not sure this is true." reach their peak: 10% of all comments are cautionary. (Bordia)		Group confirms a particular hypothesis as the most likely truth. After confirmation, cautionary statements drop to less than 1% of all comments. (Bordia)		Group members begin communicating the rumor. Group norms act against any further evaluation or tests or accuracy.

Stop rumors by getting the best information you have into the group during the early stages.

After a rumor enters transmission - it cannot be stopped until it conflicts with reality.

Controlling rumors

Rumors cannot be stopped but their accuracy can be controlled.

Controlling a rumor requires anticipating the rumor and then communicating the best approximation of the truth into employee groups, before the inaccurate rumor begins transmission.

Anticipating rumors is easy. Rumors are about the change's possible outcomes: job losses, plant closures or relocations, outsourcing, selection procedures for new jobs or layoffs, reporting lines, and similar topics.

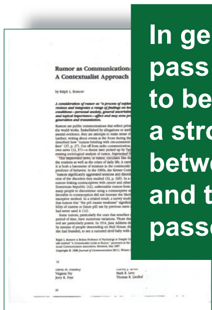
Manage rumor accuracy by communicating possible outcomes early in the planning stage.

This works because employees do not want to pass on inaccurate information. One of the strongest findings in the rumor research is that most individuals do not intentionally communicate rumors they believe are false. The commonsense view that rumors are circulated by deviants and troublemakers is wrong. Groups want to pass on accurate information—they just can't figure out what information is accurate.

In this view, the planning team's decision not to communicate possible outcomes early in the planning process is the major cause of destructive rumors.

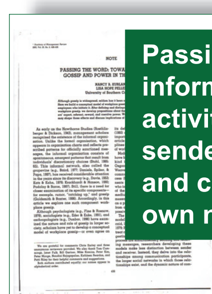
In a study of 43 companies communicating major change, the presence of inaccurate rumors was the largest differentiator between successful and unsuccessful communication.

source: Smeltzer,
Arizona State University



In general, people do not pass on rumors they believe to be false. "Results indicate a strong linear relationship between belief in the rumor and the likelihood of its being passed on."

source: Rosnow,
Temple University



Passing on knowingly false information is a high-cost activity as it lowers the senders' trustworthiness and credibility within their own networks.

source: Kurland,
University of Southern California

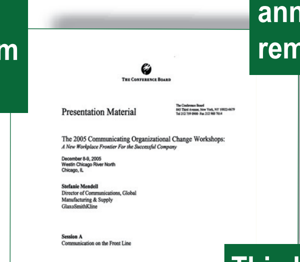
Fear is a bad reason for secrecy

Fear is the biggest reason for secrecy. Executives are afraid. Afraid of what the employees will do if the bad news gets out.

This is a mistake. Uncertainty does considerably more damage than bad news. Employees can handle bad news. In fact, bad news is usually a relief from the pain of uncertainty.

GlaxoSmithKline planned a wave of plant closures. Executives worried about problems with absenteeism and production shortfalls.

However when the closures were announced, the problems never happened. After announcement, performance remained the same or improved.


The Conference Board

Presentation Material

The Conference Board
845 Third Avenue, New York, NY 10022-6679
Tel 212 759 0900 Fax 212 980 7014

The 2005 Communicating Organizational Change Workshops:
A New Workplace Frontier For the Successful Company

December 8-9, 2005
Westin Chicago River North
Chicago, IL

Stefanie Mendell
Director of Communications, Global
Manufacturing & Supply
GlaxoSmithKline

Session A
Communication on the Front Line

source: GlaxoSmithKline

This happened at so many doomed plants, executives named the reaction: "death with dignity."

The enemy of performance is uncertainty not bad news.

Don’t be afraid to talk to your employees – be afraid not to.

Despite the huge overuse of secrecy, sometimes secrecy is a good choice.

Two guidelines help decide when a topic should be secret.

1. Secrecy solves a particular business problem.

2. Secrecy has a specific end date (3 days, 7 days, 14 days).

Type of Change	Topic Kept Secret	Reason
Restructuring in an oil company.	Company plans to sell fleet of oil tankers. Laying off company employees working on these ships. Contracting this service.	Head of industrial relations was in secret negotiations with head of union. Negotiations progressing well and both parties preferred to communicate a completed agreement. Communication delayed for 7 days.
Cost cutting in a telecom company.	Downsizing employees in the R&D department.	HR had a list of 25 key R&D employees the company needed to keep. HR wanted to offer written retention bonuses on the same day the downsizing communication began. Communication delayed 3 days while those offers were composed.
Merging two pharmaceutical companies.	Reason for merger highlighted post-merger market share across several therapeutic categories.	Legal department worried the deal teams shared too much market sensitive information - before merger approval. Legal department wanted information to be kept secret until formation of a clean team.* Communication delayed 5 days as legal wanted the estimates to come from the independent clean team not the company deal teams.

* Clean teams are usually outside consultants. Clean teams are typically used in mergers to collect sensitive information from the merging companies before regulatory approval. Clean teams collect the information and prepare recommendations but prohibit sharing of detailed information between the two companies. If the merger is not approved, the companies do not possess detailed pricing information of a competitor.

"Wait," the critics will say. "Communicating this early is a bad idea. This early communication will: leak to the press, upset our employees, and become ammunition for our opponents."

The critics will urge delay: "It's too soon to communicate, let's wait until we are closer to a final plan." This criticism is wrong.

Delaying the communication is a proven failure.

Delaying the communication is the traditional way to communicate. Using this method, around 80% of companies describe their communication as a failure (page 9).

A substantial body of research shows delaying the communication seriously damages the implementation (page 12).

Don't base your communication on a fantasy.

The assumptions underlying the traditional approach to communication are pure fantasy:

- 30 to 100 employees work on the planning team—but nothing leaks.
- Employees anxious and worried say: "Let's not talk about this change for 2 or 3 months—until the planning team finishes its work."
- Opponents (union, politicians, competitors) decide not to communicate exaggerated versions of the change because that would be "unfair."
- At implementation employees say: "Our senior managers are cowards, liars, and heartless—but let's forget about all that, dig in and give this implementation our best."

Biggest fantasy of all—waiting for certainty.

The supposed payoff for delaying the communication is the eventual communication of a certain plan. A beautiful tidy package full of answers.

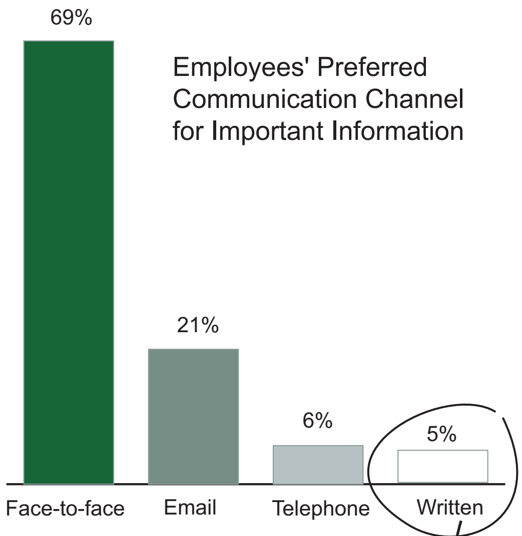
The truth is: there is no certainty. The change is too complicated and business conditions change too rapidly to ever communicate certainty. Certainty doesn't arrive until days or perhaps hours before implementation.

If you are going to communicate an uncertain plan anyway–do so at the beginning and avoid the damage that delay causes to the implementation.

Part 2:
Face to Face

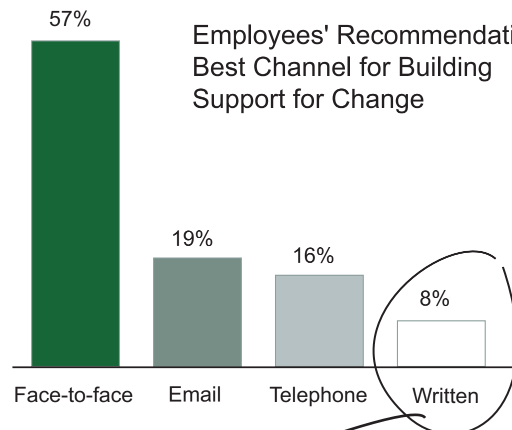
Employees
prefer
face to face

Employees' Preferred Communication Channel for Important Information



source: Rogen International, New York

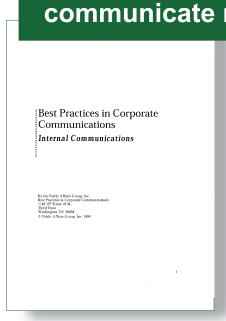
Employees' Recommendation: Best Channel for Building Support for Change



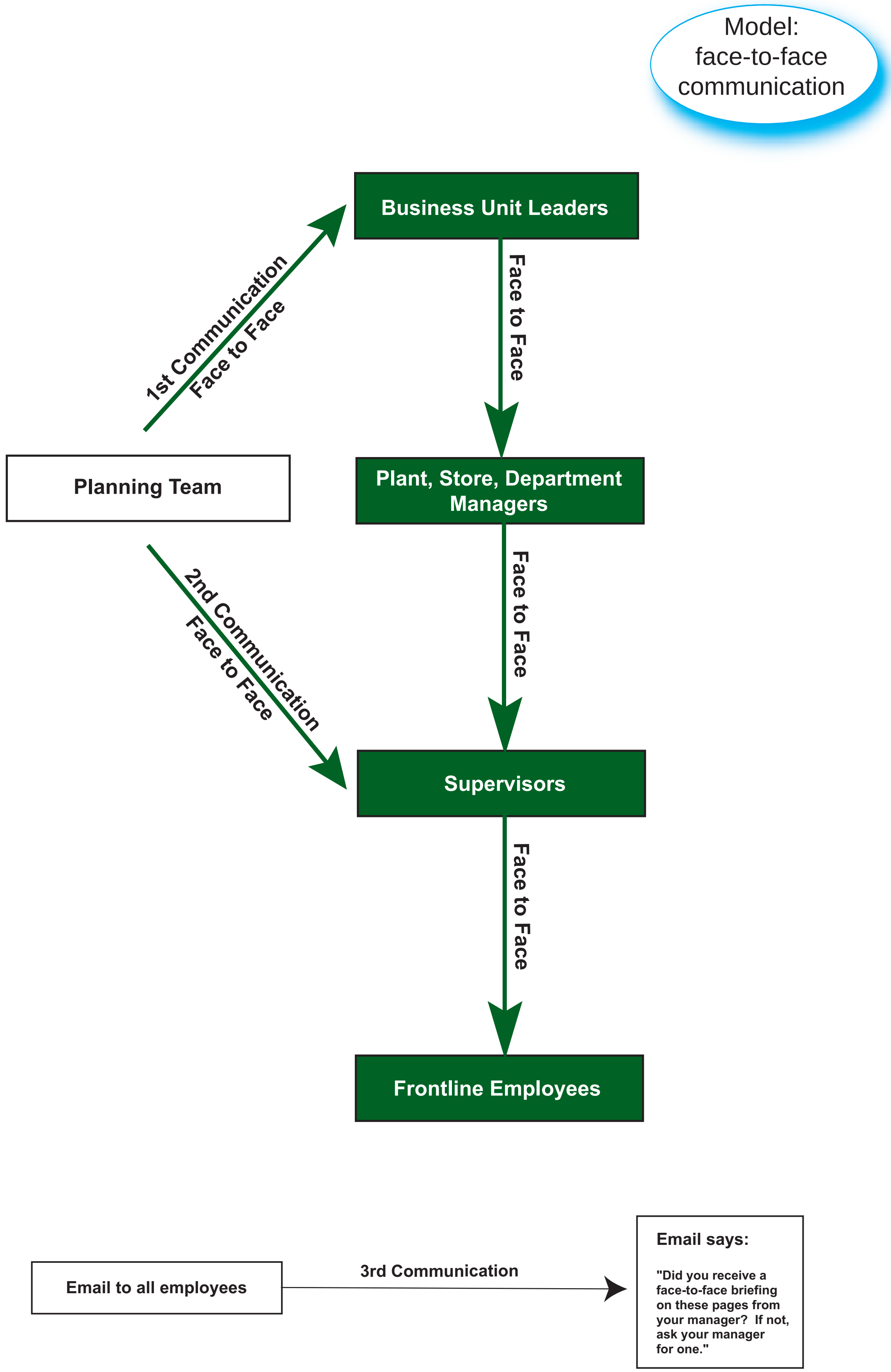
source: Sussman, University of Louisville

This makes no sense

90% of large companies use employee publications to communicate major change



source: Public Affairs Group, Washington D.C.


Model:
face-to-face
communication
Business Unit Leaders
1st Communication
Face to Face
Face to Face
Planning Team
Plant, Store, Department Managers
2nd Communication
Face to Face
Face to Face
Supervisors
Face to Face
Frontline Employees
Email to all employees
3rd Communication
Email says:
"Did you receive a face-to-face briefing on these pages from your manager? If not, ask your manager for one."

Comments about the model

Before communicating, the planning team:

- creates the briefing pages
- obtains approval to communicate
- practices the face-to-face delivery

Speed is important:

- Business unit leaders have about 3 days to get the message through all their layers.
- If more than 3 days passes, employees will get the message from their own informal networks before their managers can do a proper briefing.

When face to face is impossible:

- email or fax the briefing pages
- use telephone for oral description

Approximately five days after 1st communication with the business unit leaders, the planning team should begin communicating directly with frontline supervisors. Choose a random sample of supervisors and complete this face-to-face communication in one day. Why?

- Supervisors are the most important layer and the layer most frequently missed.
- Planning team needs to personally explain the change to supervisors—this helps keep the plan and the planners in touch with the company.

The communication is an update on the plan's progress. The planning team is not:

- asking employees for advice
- asking employees to evaluate the change
- involving employees in the planning
- trying to persuade employees
- encouraging managers to persuade their employees

Emailing pages to all employees is enforcement:

- Email asks whether employees received a briefing.
- Email does not "do" the communicating.
- Email forces the communication where it isn't happening.

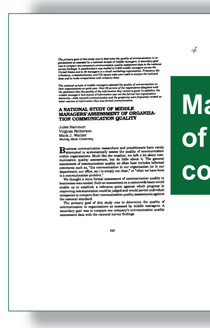
Your company is not too large for face-to-face communication

Companies think they need publications and emails because they are too large for face-to-face communication.

This is wrong.

Informal communication is the glue holding companies together. If your company was too large for effective face-to-face communication—it would have disappeared years ago.

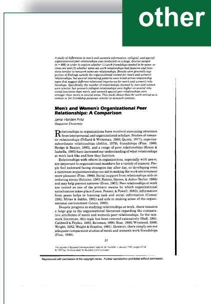
Face to face is the most used, most effective, most trusted, and quickest channel for moving messages in large companies.



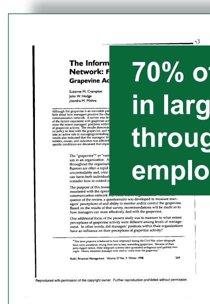
Managers spend 50% of their time in oral communication

source: Carlson,
Suffolk University

The average employee told something important tells 30 other employees in one week

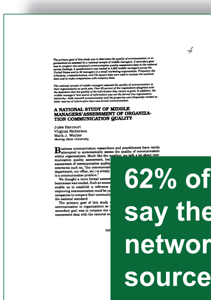


source: Fritz,
Duquesne University



70% of all communication in large companies moves through the informal employee network

source: Crampton,
Grand Valley State College



62% of managers say their informal network is their best source of information

source: Harcourt,
Murray State University

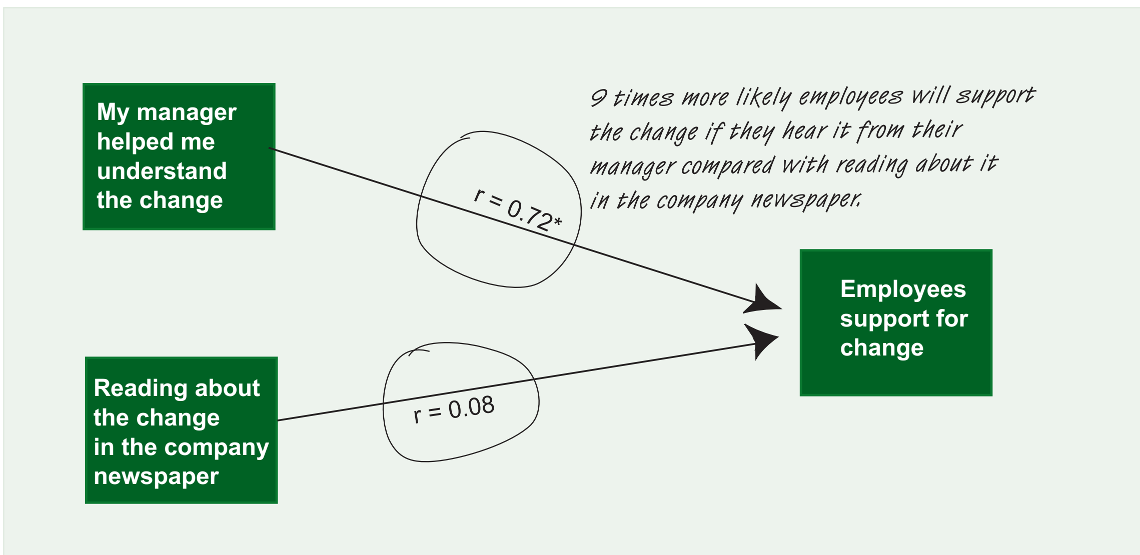
Managers evaluate the informal communication network as significantly more effective and easier to use than formal channels

source: Johnson,
Michigan State University

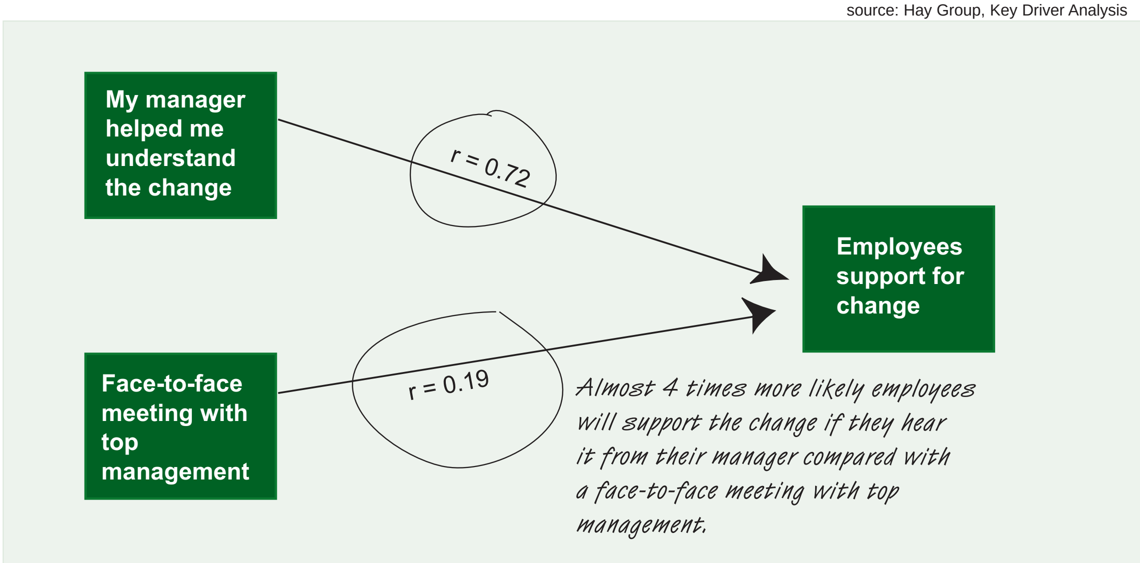
Plug into this channel because this is how important information moves in large companies.

Communication from managers delivers more support for change

Who does the communicating makes a difference. Research shows dramatically larger effects when employees hear the information from their own managers. Manager communication is between four and nine times more powerful than corporate communication



source: Hay Group, Key Driver Analysis ©



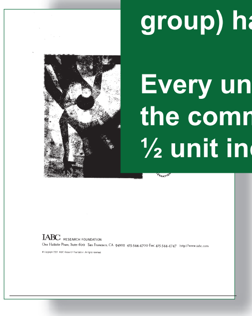
source: Hay Group, Key Driver Analysis ©

Note: Positive correlations vary between 0 and 1; 0 implies no relationship, 1 implies a perfect relationship.

Face to face changes behavior

In this study of mergers, formal communication had no direct effect on synergies. However, informal communication (face to face and small group) had a large effect.

Every unit of informal communication added to the communication mix was associated with a ½ unit increase in merger synergies (beta = 0.53).



source: Whalen, IABC Research Foundation

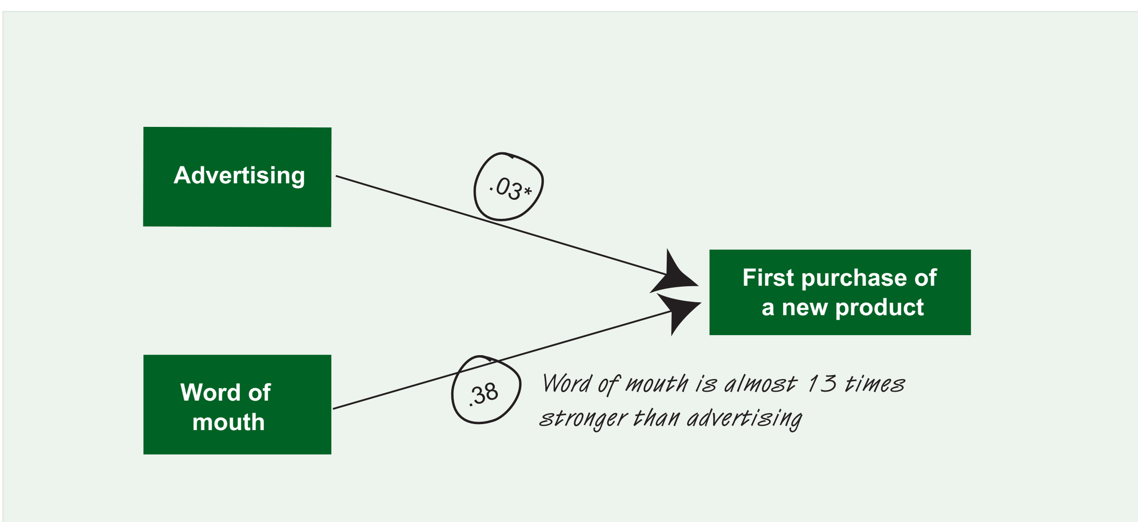
If your change means employees must change the way they behave, then face to face is the best channel for communicating the message.

Diffusion of innovation is the study of how groups adopt new behaviors. The leading expert is Professor Everett Rogers. Surveying 50 years of research and 4,000 studies, Rogers concludes:

- Mediated information (print and electronic) create awareness of new ideas but rarely adoption.

- Face-to-face communication with a respected member of your own group (opinion leader) delivers the most new behavior.

Agreeing with Rogers, 15 consumer behavior studies show that a word of mouth recommendation is much better than advertising when it comes to first purchases of new products.



source: Sultan, Harvard University

*These are not correlation coefficients, instead they are average parameters computed from 15 diffusion studies. The parameters were used in a model to predict the time it takes for a new product to reach its maximum rate of adoption.

Formality is the enemy of communication

Formality ruins communication.

The more formal the communication the more likely it will fail. Web pages, emails, company newspapers, closed-circuit TV, town hall meetings—they don't work. More precisely, they don't work for the earliest employee communication.

Employees don't want the formality.

Employees deserve a face-to-face conversation. Whether they have a job? What the job may be? Where the job may be? Who they may report to? These are the most important topics in anyone's professional life. Face-to-face communication shows you understand the importance of these topics. Face-to-face communication is a sign of respect. For these topics a Web page cannot replace a person.

Executives don't want the formality.

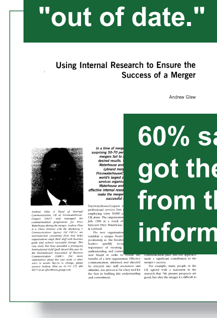
Formality doesn't work for executives either. Email, Web pages, town hall meetings, and brochures are too public and too permanent. Using those channels executives are forced into the careful legalistic language that employees hear as evasive management double talk.

Executives want to speak openly and honestly about the difficult changes ahead, but the permanent and public nature of formal media stops them from doing so.

"Employees" are not a senior executive's only audience. If the employee communication is permanent and easily transportable to any audience than caution will understandably overtake openness. The result: employee communication and change implementation both suffer.

While informal face-to-face conversations throughout the organization do not allow completely free and open information—they do significantly expand the boundary of what can be safely said.

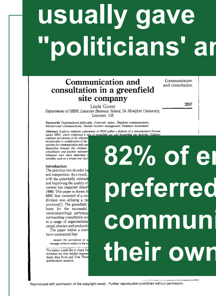
During the earliest days of the Price Waterhouse/Coopers & Lybrand merger, only 9% of employees used the specially designed merger Web site. Employees said it was "boring" and "out of date."


Using Internal Research to Ensure the Success of a Merger

60% said they got their information from their own informal networks.

source: Glew, PricewaterhouseCoopers

In a study of U.K. companies, employees said executives Q&A sessions at big town hall meetings were a failure as executives usually gave "politicians' answers."


Communication and consultation in a greenfield site company

82% of employees preferred one-on-one communication with their own manager.

source: Glover, Leicester Business School

How would you communicate with these employees?

These employees just received a formal announcement that management is closing their plant.

What should happen next?

> A PowerPoint presentation showing them the poor return on investment figures?
>
> A brochure encouraging them to embrace change as an exciting challenge?
>
> Perhaps roll in a computerized kiosk where they can take turns accessing a special Web site?

Isn't it obvious what they need? They need their plant manager to talk to them. There aren't any other sensible choices.

And the plant manager should tell them the truth. But what is the truth? The truth is: management is closing the plant but is not exactly sure how. Tell them, for example, there is a:

> 70% chance this plant will completely close within 30 days.
>
> 30% chance this plant will operate for one year, with a gradual ramping down of production and corresponding gradual layoffs.
>
> It is unlikely any of these employees can be redeployed at another plant.
>
> etc.

These employees will understand the closure. They will understand that plans are not definite. They will not understand eight, ten, twelve weeks of silence. They will not understand why their plant manager cannot speak with them, face to face, about the range of options for closing their plant.

Face to face allows more openness

Nearly all big changes have painful negative topics to communicate. Topics that senior executives will not and should not print on a Web page or publication. So usually nothing is said. The price for this silence is often paid with a poor implementation.

There is another option: use the face-to-face channel. Face to face allows options for communicating difficult topics. Moving the most sensitive information from the printed briefing page to the accompanying spoken explanation allows executives to communicate the difficult things that need to be said.

The example on the next page shows three options for handling sensitive information.

The example involves a bank's acquisition of a wealth management company, primarily an investor of employee pension funds. The bank expects the new acquisition to perform poorly for several years.

Bank executives rightly foresaw the need to communicate these low expectations to employees. If not, the acquisition would soon appear to be an economic disaster and employees would avoid assimilating the "damaged" division into the bank.

Face to face gave the bank executives three options for information disclosure:

1. Print the sensitive information directly onto the briefing page.

2. Allow handwritten notes of the sensitive information during the briefing.

3. Restrict the sensitive information to spoken words only.

Example: openness options

The background for this example is on the previous page, page 32.

Sensitive information printed on page

Bank Anticipates Wealth Management Performance Problems

- short-term poor performance expected: 2 years
- net outflow of funds expected: $2 billion
- acquisition price assumed short-term poor performance
- if performance better than expected, Bank will share 30% of profit with former parent

Sensitive information is printed on the briefing page and discussed in the conversation.

Sensitive information handwritten on page

Bank Anticipates Wealth Management Performance Problems

- short-term poor performance expected 2 years
- net outflow of funds expected $2 bil
- acquisition price assumed short-term poor performance
- if performance better than expected, Bank will share profit with former parent 30%

Sensitive information is not printed on the briefing page but is discussed in the conversation - employees may take handwritten notes.

Sensitive information spoken only

Bank's Expectation for Wealth Management Performance

Briefer: please provide an explanation of the Bank's short-term performance expectations for the new Wealth Management division.

Sensitive information is not printed on the briefing page but is discussed in the conversation–employees asked not to take notes.

This format, no writing, is prone to error. However, it produces fewer errors than you might expect. Professor Crampton's work cites five studies showing accuracy rates between 75% and 90% for messages traveling through the informal interpersonal network with little or no written substantiation.

Web:
best for searching

When communicating a major change, it is important to know what each channel does best:

- *Web*: best for short, quick, information retrieval.
- *Paper*: best for learning new, long, complicated ideas.
- *Face to face*: best for overcoming employee resistance to change.

Messages that are new, long, and complicated belong on paper.

The Web's strength is "search" not "comprehension." The Web is at its best when employees are looking for small pieces of data buried in big data sets, for example:

- directory of change team members
- details about a new operating procedure
- list of change implementation dates

The Web also excels at news flash items:

- "EDS named as IT outsourcing partner"
- "Regulators approve merger"
- "Severance benefits now available online"

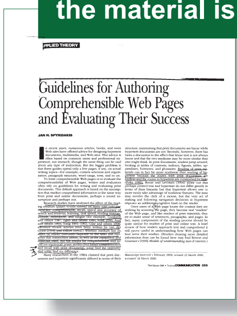
However, expecting new, long, complicated messages to be read directly from Web pages is a mistake.

The Web's use of links is the reason for its lower comprehension. Links focus the mind on "navigating" squeezing out the mental energy left for "comprehending."

Links are underlined words on Web pages sending the user to different places. Click here and you may go to a definition of the underlined word; click here and you may go to a picture; click again and a video commentary begins; click again and an email page opens inviting your comments. "Where to go next" dominates mental activity–not understanding the content.

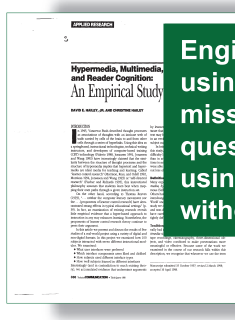
Web: supporting research

The additional mental task of navigating links on the Web steals mental resources away from comprehension, explaining the users need for print when the material is complex.


APPLIED THEORY

Guidelines for Authoring Comprehensible Web Pages and Evaluating Their Success

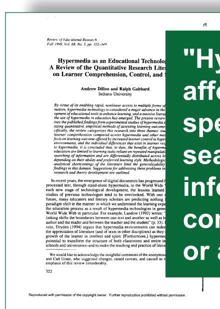
source: Spyridakis, University of Washington


APPLIED RESEARCH

Hypermedia, Multimedia, and Reader Cognition: An Empirical Study

Engineering students using Web pages with links missed 33% more test questions than students using the same Web page without links.

source: Hailey, University of Utah

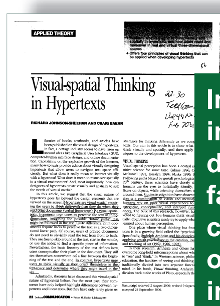

Hypermedia as an Educational Technology: A Review of the Quantitative Research Literature on Learner Comprehension, Control, and Style

Andrew Dillon and Ralph Gabbard

Indiana University

"Hypermedia (Web page with links) affords the most advantage for users in specific tasks that require rapid searching through lengthy or multiple information resources. Outside of this context, existing media are better than or as effective as the new technology."

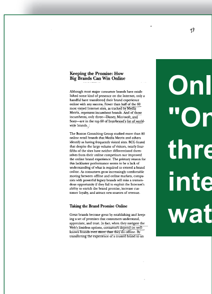
source: Dillon, Indiana University


APPLIED THEORY

Visual-spatial Thinking in Hypertexts

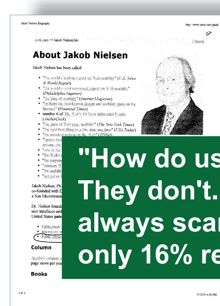
Internet users are "hunters and gatherers" in virtual space. "Usually they are hunting down specific information...or gathering facts. As hunters and gatherers, they cannot afford to passively read everything on the screen and then process that information into thought."

source: Johnson-Sheehan, University of New Mexico


Keeping the Promise: How Big Brands Can Win Online

Online behavior is "hyperkinetic." "Online consumers 'channel surf' three times as frequently on the internet as they do when they watch television."

source: Lachenauer, Boston Consulting Group


About Jakob Nielsen

"How do users read on the Web? They don't. 79% of our test users always scanned any new page; only 16% read word-by-word."

source: Nielsen, Nielsen Norman Group

Paper:
best for
comprehension

Web pages don't change employees–neither does paper. That is not their strength. While Web's strength is searching, paper's strength is comprehension. Use paper when communicating messages that are new, long and complicated, for example:

- major change in your benefit plans
- big strategic change in your business direction
- new software system

Paper's strength is comprehension: people *use* the Web–they *read* paper.

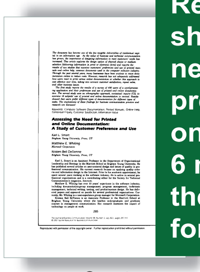
When reading from paper, employees can devote all their mental resources to understanding. On paper, the author controls the navigation: you turn the page, you read, you turn another page.

Despite what people say, age has nothing to do with it. It is simply wrong to say "younger people can comprehend directly from Web pages while older people need paper." The cause of the Web's lower comprehension is navigation not age.

Research with students as young as ten by Wendy Sutherland-Smith, Monash University, Australia, shows the frenetic approach children bring to the Web. Jake (age 11) says: "On the Internet, you have to be really quick and can go lots of places to find out heaps of stuff, but with books, you need to go slower." Another student, Sue (age 10) says, "You need time to look at the book, but, like, you need to be real fast at typing and clicking to find the stuff you want on the Net."

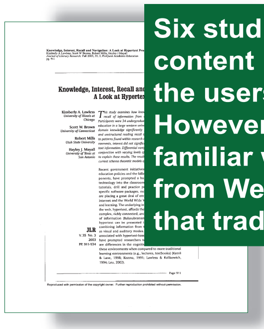
"Snatch-and-grab" is how Sutherland-Smith describes the behavior of her very young Web users. However when these same students are given a book, she describes how they become quieter, lean back, relax, and begin reading.

Paper: supporting research



Review of seven studies shows people learning a new software program prefer print rather than online instructions. After 6 months experience with the program, the preference for print begins to fade.

source: Smart,
Brigham Young University



Six studies show when Web page content is new, links often confuse the users and lower comprehension. However, as users become more familiar with the topic, comprehension from Web pages begins to approach that traditionally found on paper.

source: Lawless,
University of Illinois at Chicago

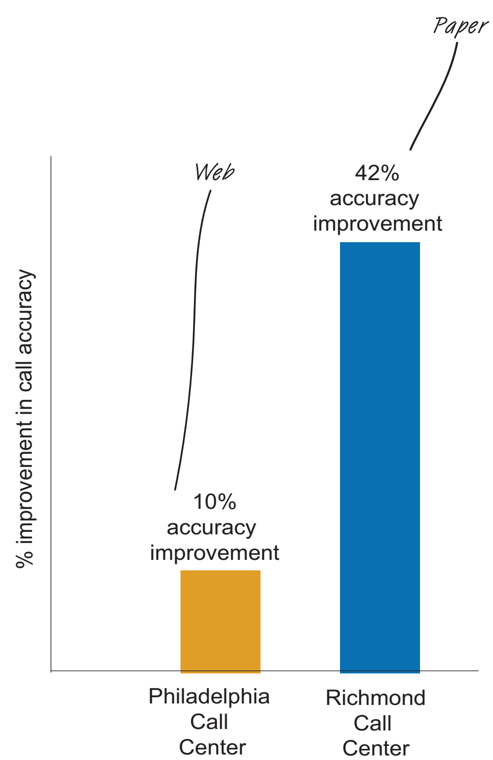
Study examined the online behavior of 100,000 students studying for SAT and GRE examinations. Only 20% of these students attempted even one reading-comprehension exercise even though the students knew reading comprehension accounts for half the total verbal score.

source: Trotter,
Education Week

U.S. Internal Revenue Service studied its communication of tax law changes to employees working in its call centers (especially high-error topics such as backup tax withholding and estimated tax penalties).

IRS examined calls between its call center employees and taxpayers. The IRS found a 10% increase in employee accuracy by improving the relevent Web pages. However, the IRS found a 42% increase in employee accuracy when the exact same Web pages were printed onto paper and left in employees' cubicles.

source: Brooke,
U.S. Government Printing Office



Part 3: Communicate Possible Outcomes

This report may be downloaded from the Web without charge (www.Larkin.biz).

When communicating major change there is only one choice for content: possible outcomes. Nothing else works.

Employees don't care about your good intentions, your methodology, or your assurances that everything will turn out OK.

Employees want, and you should provide, a reduction in outcome uncertainty. You do this by communicating:

- alternate scenarios
- ranges and estimates
- working models
- hypotheses

Sample briefing pages, beginning on page 44, show how this is done.

The traditional communication content is not working. Professors DiFonzo and Bordia studied how PR executives in Fortune 500 companies fight rumors. Among the top five rumor-fighting techniques—PR executives said none were highly effective.

All the usual talk about good intentions doesn't work:

- "Planning team will be fair and unbiased."
- "Everyone will be treated with dignity and respect."
- "We promise to talk straight."

All the usual talk about methodology doesn't work:

- "Twenty-three teams working on 119 projects."
- "Bottom-up, customer driven, results-oriented analysis."
- "Best-practice templates showing gaps between present business case and target model."

To employees it's just noise.

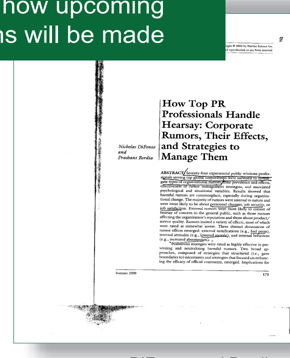
From an employee's point of view, not communicating possible outcomes is a decision not to communicate at all.

Communicate possible outcomes

PR execs say these don't work

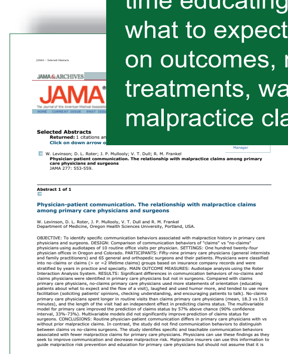
Most Common Methods for Responding to Rumors

1. State values used to guide the upcoming change
2. State procedures by which the change will be decided
3. Explain why you cannot comment
4. Set timeline for official announcement with more information
5. Explain how upcoming decisions will be made


How Top PR Professionals Handle Hearsay: Corporate Rumors, Their Effects, and Strategies to Manage Them

source: DiFonzo and Bordia

Researchers examined the communication differences between physicians who had malpractice claims and physicians who did not. While both types communicated details about upcoming treatments, the no-claims doctors spent more time educating patients about what to expect. This emphasis on outcomes, not simply treatments, was related to fewer malpractice claims.


Physician-patient communication. The relationship with malpractice claims among primary care physicians and surgeons

source: Levinson
Oregon Health Sciences University

Resist communication that says nothing

Pressure is building. Wild, exaggerated rumors are everywhere. Employees show up at the planning team's door begging: "You've got to say something!!"

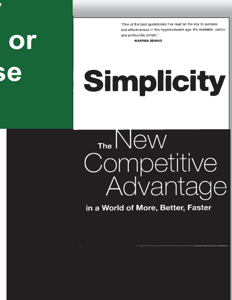
The planning team however does not want to communicate; data collection is still underway and plans are not finished.

So, a sort of unspoken compromise is reached: "We'll communicate but we won't say anything."

Communication that says nothing is shown below. This is actual communication from the merger of two pharmaceutical companies. This example is chosen not because it is bad but because it is standard practice in change communication.

> First, why did our companies merge? Our new merger will allow a stronger, more efficient company to emerge. Importantly, the combined company will be a leader in the industry and will offer customers broader therapeutic coverage and competitive advantage.
>
> Second, the mission remains the same. Our mission is one of meeting important medical needs. The merger, and other strategic actions, further strengthens our ability to lead in a changing environment. The merger leads the way forward.
>
> Third, all decisions about the new company will be based on business needs, and we will communicate decisions fully, openly and constructively throughout the process.
>
> Fourth, we will treat everyone with dignity, respect and sensitivity.

80% of what companies communicate to employees has no real content. Employees say there is no "discernable difference" to their behavior if they do or do not receive these messages.



source: Jensen, Jensen Group

This is what you say when you really don't want to say anything. This is pretend communication.

"But, isn't this communication better than nothing?" No. It's worse than nothing. The act of communicating raises employee expectations. Expectations that come crashing down when employees see the communication is empty.

You've got to snap out of this. Realize that this sort of communication takes you to a place where employees lose confidence in their leaders and resist the implementation.

Persuasion doesn't work.

As the planning team prepares the employee communication the room is full of questions:

> "How do we make them feel this?"
> "How do we make them believe that?"
> "How do we make them comfortable with this?"

The answer is: you can't. Corporate brochures, Web sites, and town hall meetings don't change attitudes.

More importantly the attempt to persuade lowers the credibility of the planning team. The more you try to persuade them—the more untrustworthy you seem.

Eleven sample briefing pages are in the back of this report. There is not a single persuasive attempt anywhere.

A substantial body of research shows that attitude change is primarily an interpersonal or small group activity. People change their attitudes when other people with whom they have a long, trusting, personal relationship recommend the change.

In sociology these people with the power to change others are called "reference groups;" in social psychology "significant others;" in communication "opinion leaders." What all these disciplines share is the conclusion that attitude change is mostly an up close and personal activity.

The communication challenge for the planning team is to make sure the opinion leaders have something to say. Supply these important employees with possible outcomes so they can advise their followers on what may happen and how to best position themselves for the changes ahead. Don't leave these important people with nothing to say because once that happens attitude formation becomes a free-for-all, with less responsible people having much more power than they deserve.

Do not try to persuade

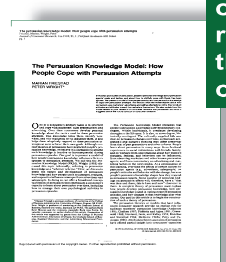
"Decades of research in persuasion show that sources with persuasive intent are perceived as less trustworthy."


Perceptions of Internet Information Credibility

source: Flanagin,
University of California, Santa Barbara

One of these is "detachment" where the receiver realizes that the source sees them as someone on whom persuasion tactics can be or need to be used. This redefines the nature of the interaction that is occurring.

Receivers don't just roll over and become persuaded. Instead receivers sense a persuasive attempt and respond with a battery of persuasion coping techniques.


The Persuasion Knowledge Model: How People Cope with Persuasion Attempts

source: Friestad,
University of Oregon

Do not paint a positive story

Painting a positive story is too risky. A positive story, if believed, raises employee expectations. If these raised expectations are subsequently not met—morale crashes and the implementation is badly damaged.

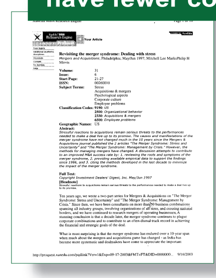
Professor Hubbard from the University of Oxford reviewed 40 years of research on “expectation theory.” She found that telling a positive story that is later not realized is much worse than telling a balanced story that is met. The unrealized positive story resulted in:

- less commitment to the company
- lower employee productivity
- more employees deciding to leave the company
- worse implementation

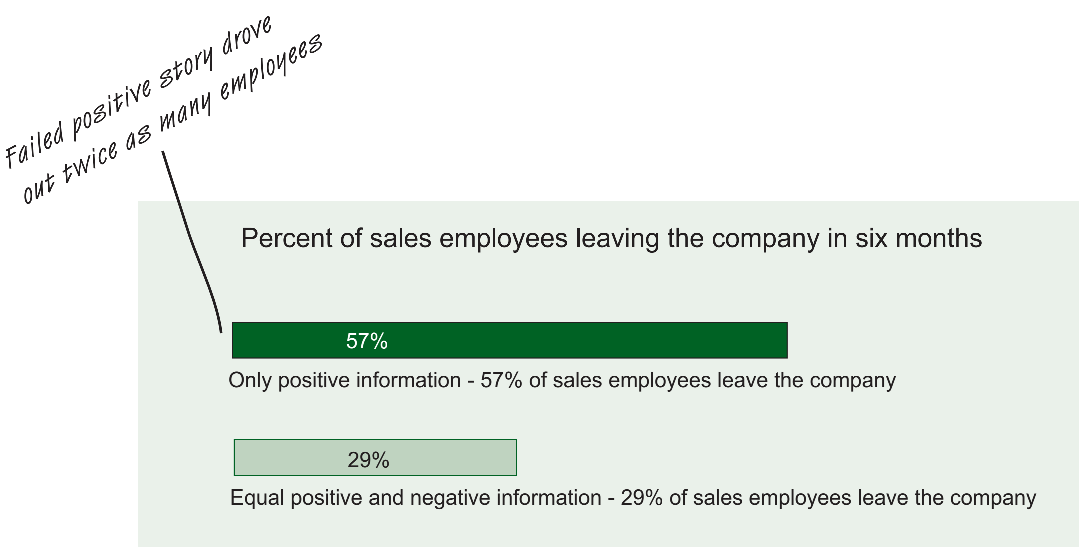
It is better to manage expectations by communicating a range of possible outcomes from positive to negative. Then as long as what’s delivered during the implementation falls somewhat near that range—a morale collapse is avoided.

The urge to tell a positive story is extremely strong. Don’t do it. The truth is: you don’t know exactly what the outcome will be. Telling a range of outcomes communicates this inherent uncertainty and lessens the chance of serious damage to your implementation.

"Research on hospital patients shows that when they are forewarned of the pain of an operation and given a realistic portrayal of their recoveries, they heal more quickly and have fewer complications."



source: Marks, consultant



source: Hubbard, University of Oxford

Merging the internal and external communication

The internal and external communication should run simultaneously. Internal communication is with employees. External communication is with all the non-employees: regulators, investors, customers, unions, press, government, and community.

We are not experts in external communication but we have worked with others who are. They say both audiences, internal and external, want the same thing:

- early communication
- face to face
- information about possible outcomes

This means the planning team should work with the company's external communicators: government relations, investor relations, and public affairs. Choosing the topics and preparing the briefing pages together. Then communicating with their respective stakeholders simultaneously.

Critics, worried about early communication of possible outcomes, warn: "It will leak!"

Of course it will leak. It leaks whether you communicate or not. We are talking about a hundred or more people working on a major change—does anyone think it won't leak?

The traditional approach to communication, both internal and external, is too defensive—waiting for some really bad communication to get started then trying to stop it.

Small communication, as recommended in this report, is offensive: choose your topics, prepare them carefully, and go out early—taking the message to your stakeholders.

Waiting means you will eventually have to wrestle control of the communication away from others. Instead, control the communication by beginning the communication. Keep control of the communication by progressively communicating a more certain picture as plans develop over time.

Sample Briefing Pages

This section shows eleven sample briefing pages. Preceding each briefing page is a description of the change. This description makes it easier for the reader to understand the context of the communication.

In a typical briefing there may be five to ten briefing pages bound in a packet. Each example here shows only one page from the packet.

Some of the most sensitive information was only communicated orally, so it's not printed on the briefing page. Pages 32 and 33 discuss moving the most sensitive information from the printed briefing page to the accompanying spoken conversation.

Remember that small communication (early face-to-face communication concerning possible outcomes) is intended for the earliest communication. Small communication does not replace larger communication that begins closer to implementation: manuals, training courses, online instructions, computer simulations, presentations, and Web sites.

Example #1: Possible Merger Integration Models – Background Information

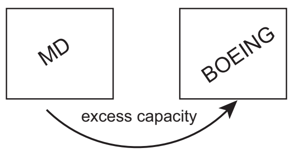
The briefing page is on the next page. This page is only background information making the briefing page easier to understand. This page is for the reader of this report; it was not used in the communication.

Change	Merger
Industry	Aircraft Manufacturing
Background	Boeing/McDonnell Douglas merger This content is fictitious - created for demonstration purposes only.
Timing	For communicating at the end of the merger team's first day of work.
Points emphasized during the spoken briefing	• Merger team is debating three models for merging the two companies. 1. relative stand-alone - merger is occurring at the top of the business cycle - Boeing has a large manufacturing backlog - detailed merger integration could be postponed until later in the business cycle 2. project teams - in the short term, shared resources are managed on a project basis - postponing detailed merger integration for later 3. rapid one company - mergers are best done quickly - delaying full integration may cause the two companies to never successfully merge Boeing/McDonnell Douglas subsequently chose the "rapid one company" model for merging the two companies.

Possible Merger Integration Models

Caution: Planning at very early stages. Expect major changes to this content.
Do not base personal or company decisions on information supplied here.

"Relative Stand-Alone"



Boeing builds Boeing planes

MD builds MD planes already committed, more MD planes depending on airline orders

Separate systems
- management reporting streams
- production schedules
- HR (salary grades, benefits, pension plans)

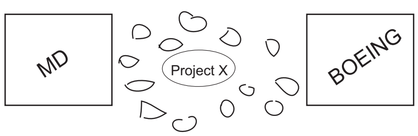
Excess MD engineering and design temporarily assigned to Boeing (more alliances like the 747 500x/600x cooperation)

Limited manufacturing integration (perhaps some Boeing tail construction/assembly at Long Beach)

Most integrated: sales, marketing, finance, purchasing

Impact on most employees: limited

"Project Teams"



Similar to relative stand-alone except:
- entensive use of combined project teams

Project teams: temporary, most have “end-by dates,” cross-disciplinary (engineering, manufacturing, marketing, design, etc.)

Typical projects assignments: 757 stretch, 777 ramp-up, MD 80 fuel efficiency into 737, commercial supersonic development

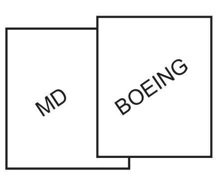
Project team positions: advertised, any qualified employee may apply, team members keep previous salary and benefits, return to previous position when project ends, senior Boeing and MD managers on selection panels

First projects advertised: July ‘97, begin work September ‘97

Estimated 10% of Boeing & 20% of MD employees on project teams by end of ‘97

Impact on employees: limited for most employees, large for those on teams

"Rapid One Company"



Begin immediate integration (3 steps)

1. renaming (immediate)
   - MD planes renamed
   - (Boeing 80, Boeing 90, Boeing 95, Boeing 11)

2. best practice (1-3 years)
   - search and implement best practices
   - uniformly across both companies

3. single family of commercial jets (3-5 years)

   MD 80, MD 90, MD 95, MD 11 → New Boeing ← 737, 777

Single systems (by 1998)
- one management reporting stream
- one production schedule
- one HR system (salary grades, benefits, pension plans)

Impact on employees: large and immediate for all employees

content fictitious : demonstration purposes only

Example #2: Estimated Position Losses – Background Information

The briefing page is on the next page. This page is only background information making the briefing page easier to understand. This page is for the reader of this report; it was not used in the communication.

Change	Downsizing Caused by a Merger
Industry	Wealth Management
Background	One wealth management company acquired another similar sized wealth company. These companies primarily invest personal and company pension money. Executives gave the planning team a target savings to obtain from employee downsizing. Estimate of 800 fewer positions in the first communication is from the deal team. An estimated twenty percent fewer position was reasonable considering actual position losses in other similar mergers. The second communication, 700 to 1050 position losses, is from the business unit leaders. These leaders looked at their own business and estimated possible overlapping positions caused by the merger. The third communication estimates position loses within each department. This estimate is from the merger team. The merger team used templates, analyzing each position, to more precisely determined the amount of overlap.
Timing	The communication timing is shown on the briefing pages.
Points emphasized during the spoken briefing	• Briefers emphasized that all numbers were estimates and could change.

Estimated Position Losses

1st Communication

Estimated Position Losses

Estimated 800 fewer positions:

20% of current positions across both companies.

Most losses happen during the first six months; then a smaller number continue over the next 12 months.

2nd Communication

2 weeks later

Business Units - Estimated Position Losses			
business unit	*current # of positions across both companies*	*est. # of fewer positions*	*rough estimate % fewer positions*
investment management	258	100 to 150	40% to 60%
asset management	3094	500 to 700	around 20%
group services	772	100 to 200	15% to 30%
totals	4124	700 to 1050	20% to 25%

3rd Communication

6 weeks later

Departments - Estimated Position Losses

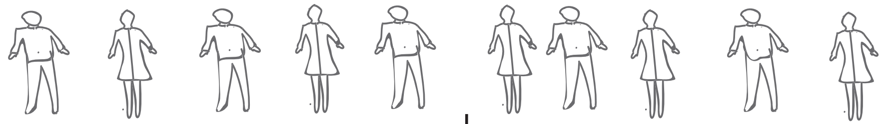
department	*current # of positions across both companies*	*est. # of fewer positions*	*rough estimate % fewer positions*
distribution	358	-100	30%
marketing	90	-20	20%
product	122	-10	10%
business services	1970	-350	20%
broking	105	0	0%
high net worth	4	+50	0%
margin lending	124	-10	10%
finance	216	-40	20%

Example #3: What May Happen to Finance Employees – Background Information

The briefing page is on the next page. This page is only background information making the briefing page easier to understand. This page is for the reader of this report; it was not used in the communication.

Change	Finance Department Restructure
Industry	Automobile Manufacturing
Background	Historically, finance was: centralized, corporate based, filled with specialists. The restructure moves most finance employees into operations. The restructure requires specialists to become generalists doing a broad range of finance functions for their project team.
Timing	This briefing page was prepared during the planning team's second week.
Points emphasized during the spoken briefing	• Restructure happens in three waves. • All percents are rough estimates that could change. • After 1st wave, perhaps only 50% of finance employees are in permanent positions. • Other 50% of finance employees move to Transition Team. • Transition Team members train their specialist skill to others becoming generalists. • Four ways to leave the Transition Team (over three years): 1. permanent positions in later waves 2. resignations 3. early retirement 4. involuntary separations

What May Happen to Finance Employees After 1st Wave of Restructuring



perhaps 50%

Apply for advertised jobs in 1st wave

↓

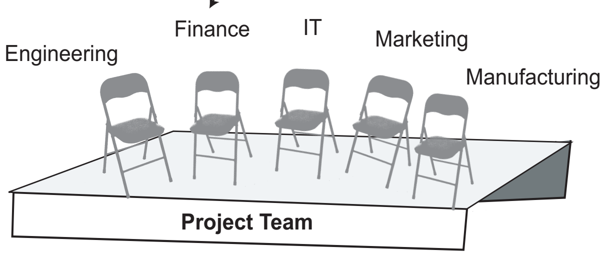
Get new jobs

↓

Trained in broader range of finance skills

↓

Go to project team as finance member



Warning!

These estimates will probably change as planning continues

perhaps 50%

Apply for advertised jobs in 1st wave

↓

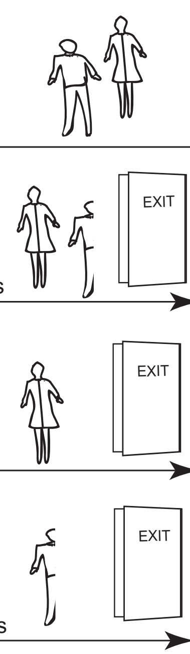
Do not get new jobs

↓

Go to transition team
teaching others your specialist skills

Transition Team

operates for 3 years
4 ways to leave transition team



Permanent positions
say 20%
get jobs advertised in next wave

Resignations
say 15%
assumes 5% a year over 3 years

Early retirement
say 10%
assume 3% a year over 3 years

Involuntary separation
say 5%
assumes 2% a year over 3 years

Total reduction in finance employees - about 30%

Total involuntary separations - about 5%

Example #4: Thinking Behind the Merger – Background Information

The briefing page is on the next page. This page is only background information making the briefing page easier to understand. This page is for the reader of this report; it was not used in the communication.

Change	Merger
Industry	Retail
Background	Two retail chain stores were merging: one mall-based chain and one stand-alone chain. The mall-based chain had strong brands, good distribution/operations, excellent reputation, strong customer service, but stagnating sales. Stagnant sales, executives believed, were due to their poor mall locations. The stand-alone chain also had a history of poor sales. The stand-alone chain had many excellent locations, but operations were poor with frequent out-of-stock merchandise or merchandise inappropriate for their customers. The merger's value comes from taking the mall-based stores' brands, operations, and customer service, and infusing them into the better-located stand-alone chain stores.
Timing	This communication was intended for the first week after merger announcement.
Points emphasized during the spoken briefing	The stand-alone chain stores have four possible outcomes: 1. *Closing* (perhaps 10% to 30% of stand-alone stores) 2. *Specializing* (perhaps 50% of stand-alone stores) keeping the stand-alone name but orienting more to the needs of each store's dominant customer base 3. *Re-Branding* (perhaps 20% of stand-alone stores) taking the name, products, and operations of the mall-based stores 4. *New Big-Box Stores* (perhaps 100-300 new stores) expanding the existing building or moving into a new larger building with additional product lines

Thinking Behind the Merger

Closing

- perhaps 10% to 30% of existing stores
- attempt sales to other retailers
- new owner may rehire our employees

Specializing

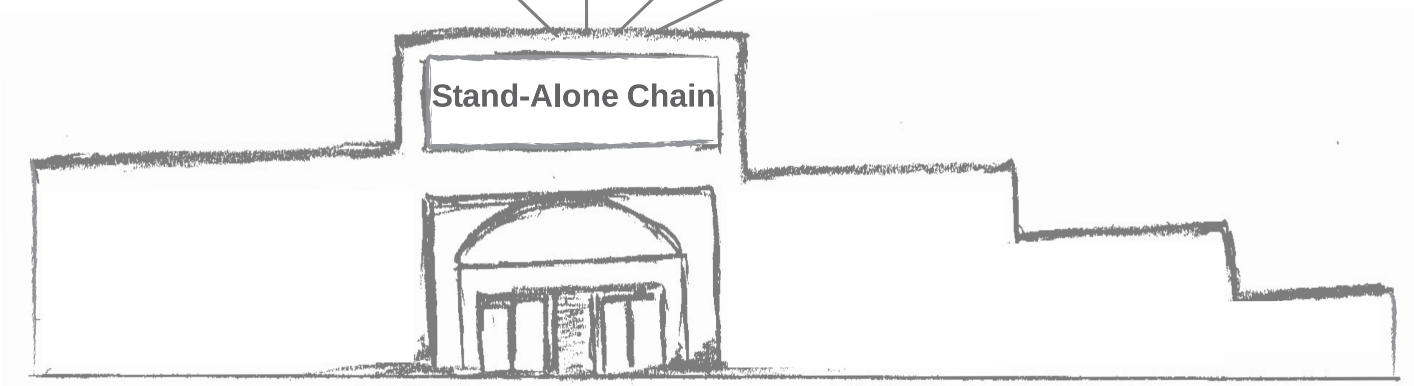
- perhaps 50% of current stores keep the stand-alone brand
- reliance on mall-based chain distribution and retail operations
- much more specialization based on customer types. Urban customers: apparel, and everyday necessities. Suburban customers: home care, appliances, lawn & garden.

Re-Branding

- perhaps 20% of existing stores
- take mall-based brand
- adopting brands, practices, and customer service

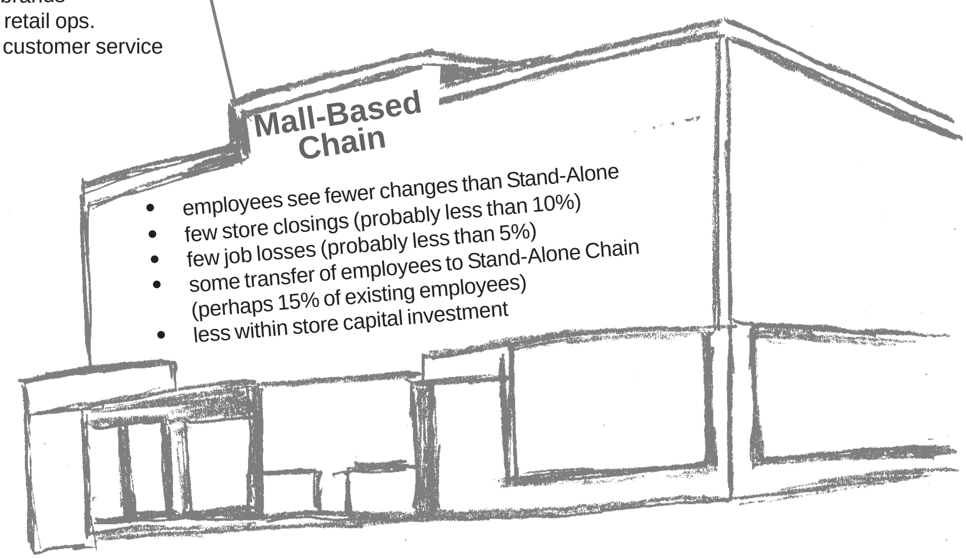
New Big Box Stores

- perhaps 100 to 300 new stores in first 18 months
- expanding or new building
- likely new lines:
  - auto center
  - grocery
  - pharmacy
  - appliances



Transfer

- brands
- retail ops.
- customer service



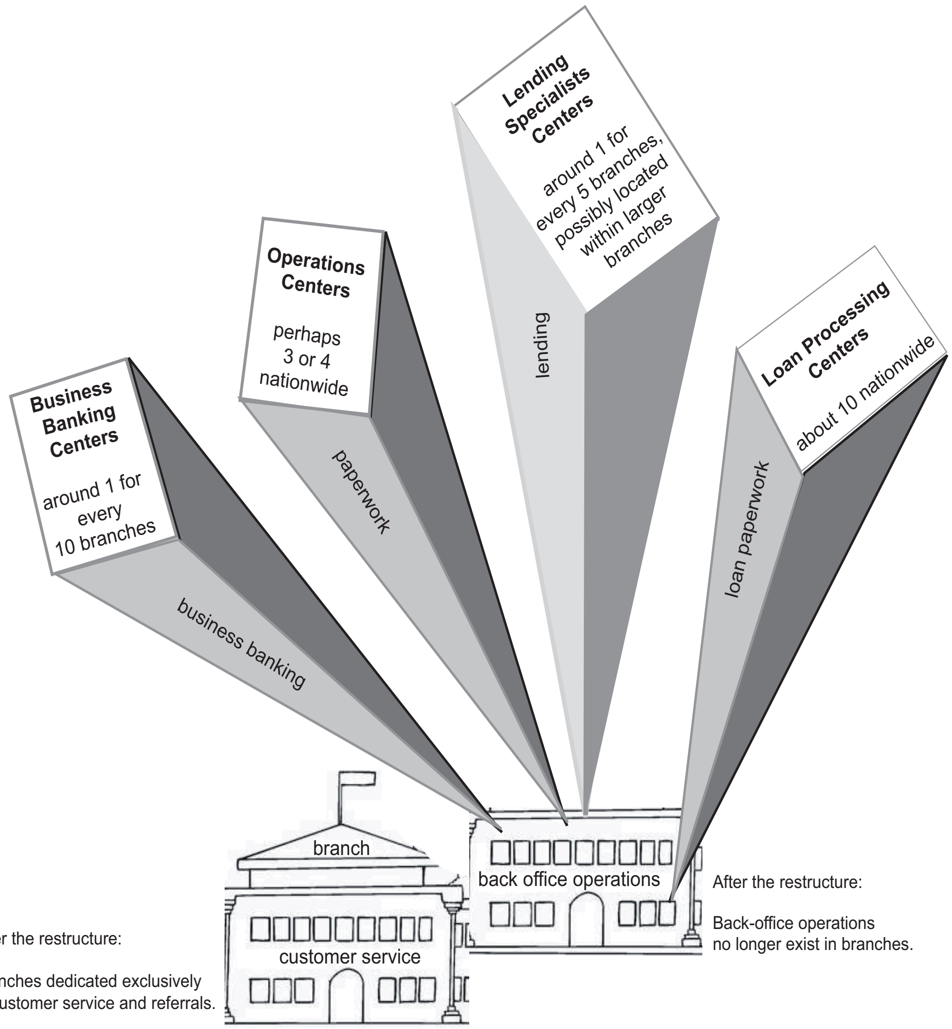
This is the early thinking behind the merger.
Detailed merger planning is just beginning.
Expect little change to this big-picture view.
Larger changes are possible for estimated percentages.

Example #5: Branch Banking Restructure – Background Information

The briefing page is on the next page. This page is only background information making the briefing page easier to understand. This page is for the reader of this report; it was not used in the communication.

Change	Branch Restructure
Industry	Banking
Background	Historically, each of the Bank's 1,800 branches was a full-service location. Each branch had back-office operations, business banking, lending (home, car, and personal loans) and customer service (tellers). The restructure pulls the different functions out of the branch (except customer service) and centralizes them into external locations. The restructure also requires that branch staff specialize in one skill (operations, lending, business banking, or customer service).
Timing	The planning team prepared this briefing page during their second week.
Points emphasized during the spoken briefing	• Branch banking is divided into five parts 1. operations centers 2. loan processing centers 3. lending specialists centers 4. business banking centers 5. customer service (branches) • Each of the five parts is a business unit and reports to its own general manager (e.g. general manager for business banking). • Restructure also involves opening branches as "retail outlets" in malls and grocery stores. • Although all numbers are early estimates, there are about 25% fewer positions in the restructured branch network.

Branch Banking Restructure - 1st Draft



After the restructure:

Branches dedicated exclusively to customer service and referrals.

After the restructure:

Back-office operations no longer exist in branches.

Estimated Loss of Positions Over Two Years
all numbers are estimates
significant changes expected as planning continues

positions	current branch banking	position losses
managers	2,500	- 400
supervisors	5,000	-1500
lending	3,500	- 800
operations	4,000	-2000
customer service reps.	9,000	- 500
administrative support	1,500	-1000
total	25,500	-6200* (approx. 25%)

*some operations and administrative support employees may continue working at the bank as contract employees

Estimated Changes to Branch Numbers

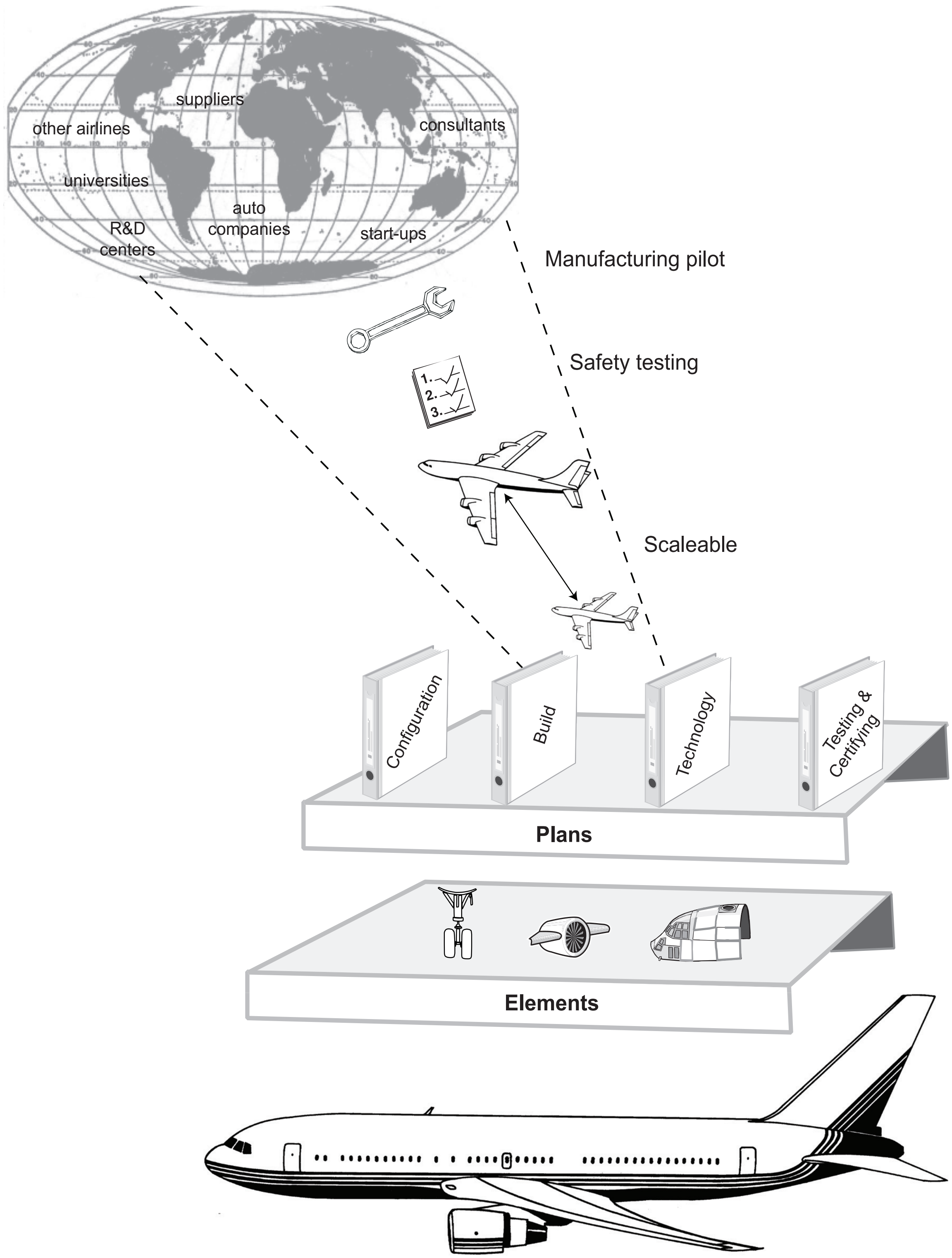
closing:	400 existing branches
opening:	600 retail outlets (mostly in malls and grocery stores)

Example #6: Off-the-Shelf Airplane Construction – Background Information

The briefing page is on the next page. This page is only background information making the briefing page easier to understand. This page is for the reader of this report; it was not used in the communication.

Change	New Manufacturing Strategy
Industry	Aircraft Manufacturing
Background	This company wanted to reduce cost and time for developing a new airplane. Historically, the company showed an engineering preference for designing each new airplane from scratch. Engineers, in an exaggerated sense, began each design with a blank sheet of paper. A new manufacturing strategy would systematize the aircraft development process. Manufacturing would then more closely resemble assembly. This first briefing page tries to capture a complex strategic change in a simple one-page diagram.
Timing	Planning team prepared this briefing page during their second week.
Points emphasized during the spoken briefing	• The company has a more external focus—searching the world for the best ideas in airplane creation. • These best ideas go through a rigorous pre-manufacturing development process. • Plans and aircraft elements passing the development process are "placed on a shelf" complete and ready for manufacturing. • When there is market demand for a new plane, manufacturing assembles one from plans and elements waiting "on the shelf."

Off-the-Shelf
Airplane Construction



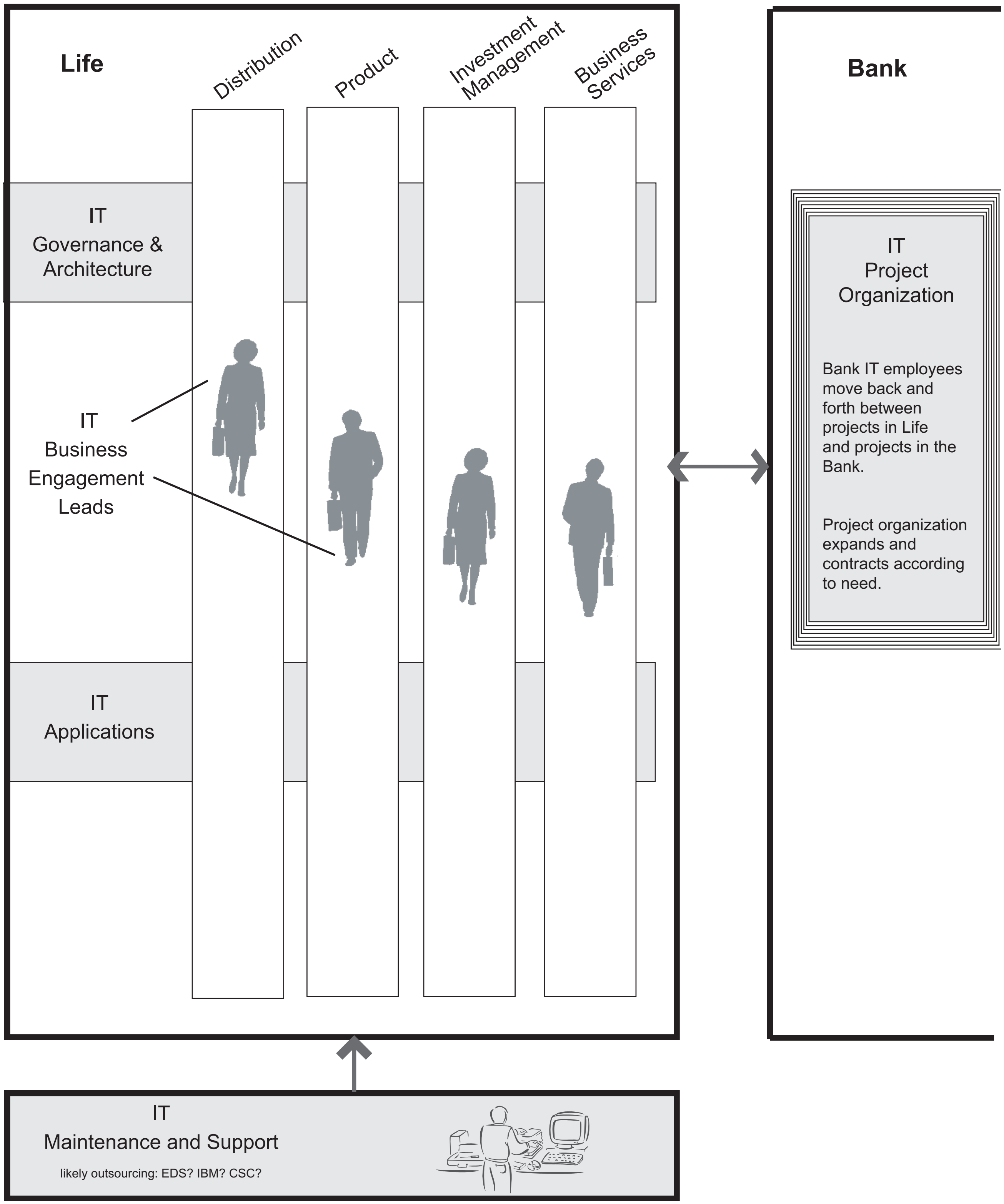
If it's not ready - it's not on the shelf
If it's on the shelf - you must use it

Example #7: IT Restructure – Background Information

The briefing page is on the next page. This page is only background information making the briefing page easier to understand. This page is for the reader of this report; it was not used in the communication.

Change	IT Restructure
Industry	Life Insurance and Banking
Background	A large bank acquired a smaller life insurance company. The Life company strongly believed in decentralized IT. Within Life, there were almost four mini-IT departments, one for each business line. The Bank did not believe in decentralized IT. The Bank saw Life's IT structure as ineffective and costly.
Timing	This briefing page was prepared during the planning team's first week.
Points emphasized during the spoken briefing	• Restructure centralizes IT within the life company: - Governance & Architecture and IT Applications are supporting but not in any business line. • As a compromise to Life executives, each business line has a Business Engagement Lead located within its business (reporting to the business head). • Many life IT employees are absorbed into the Bank's IT department, mostly in the Bank's IT Project Organization. • IT Maintenance and Support will likely be outsourced.

IT Restructure



Example #8: Bank Benefits Into Outsourcing Salary – Background Information

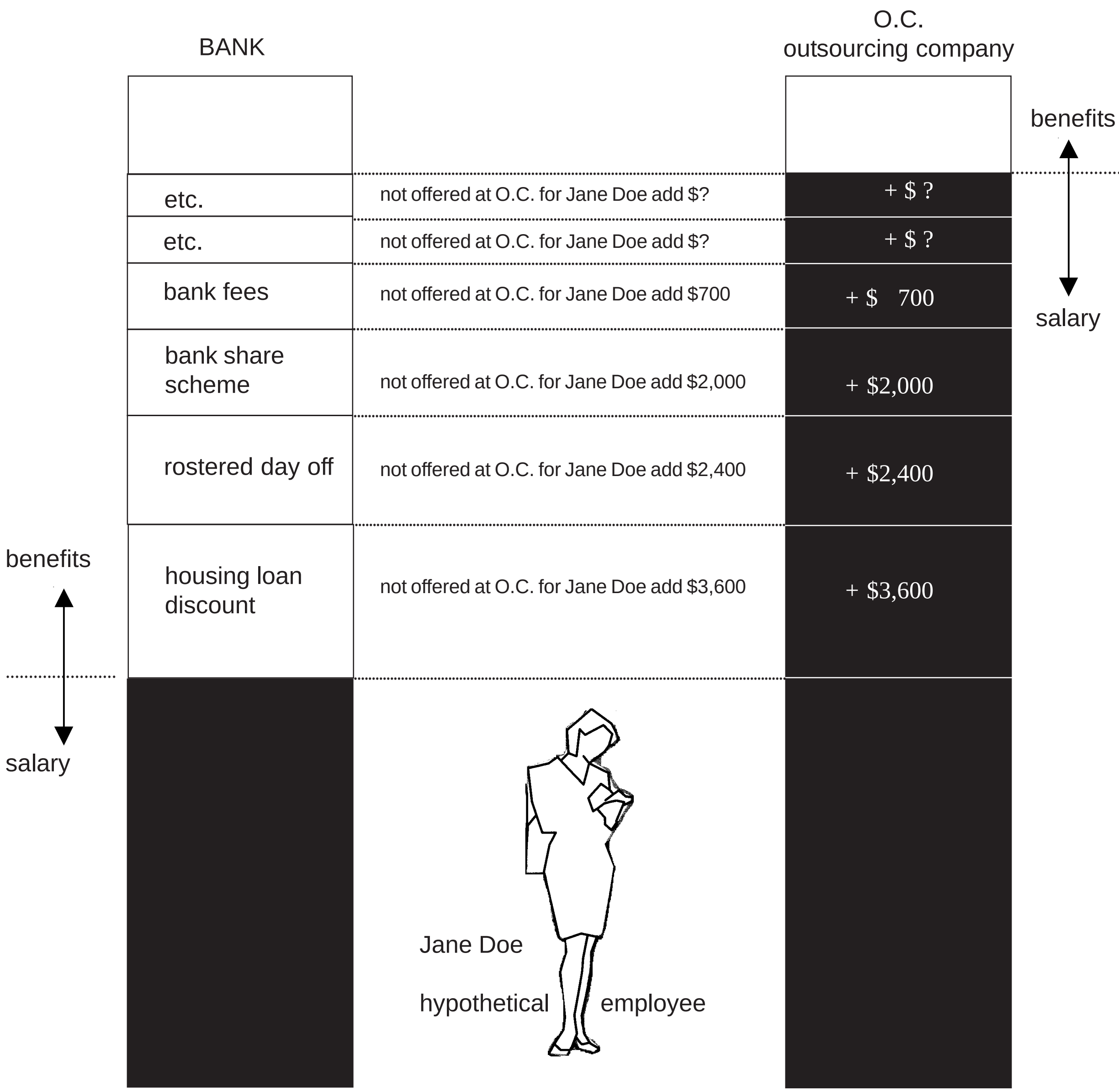
The briefing page is on the next page. This page is only background information making the briefing page easier to understand. This page is for the reader of this report; it was not used in the communication.

Change	Outsourcing IT
Industry	Banking
Background	A bank planned to outsource its entire IT department, about 2,000 employees. The bank narrowed bidders to two IT outsourcing companies. As one part of evaluation, the bank allowed the two outsourcers access to its IT employees. One outsourcing company held giant presentations. In groups of 500, bank IT employees went to a nearby convention facility and saw a presentation: introduction of key executives, history of company, testimonials from employees acquired during recent outsourcing wins. The other outsourcing company chose a "small communication" approach. No large presentations. This outsourcing company trained 30 of their own managers, equipped them with briefing pages, and sent them to the bank. Once inside the Bank's IT department, they spoke one on one with managers, and then had almost spontaneous informal conversations with small groups of employees.
Points emphasized during the spoken briefing	• Briefers spent most of their time asking questions and listening as employees described the Bank's IT operations. • Before the briefings, this outsourcing company anticipated the most likely employee questions and prepared briefing pages as conversational guides. • This page explains how bank compensation (higher benefits, lower salary) would be translated into outsourcing compensation (lower benefits, higher salary).

Bank Benefits into Outsourcing Salary

Bank Benefits

RDOs	overtime	study leave	1. Does outsourcer offer this benefit?
bonuses	family leave	parental leave	
housing loans	superannuation	moving leave	2. If not, what is $ value?
car plan	medical plan	redundancy	
allowances	shift allowance	long service leave	
travel	annual leave	special/bereavement leave	3. Add this amount to outsourcer salary.
annual leave loading	sick leave	staff study leave	



Warning
The above depiction may or may not reflect the actual method for converting bank benefits into outsourcing salary. No legally binding agreement has been reached between the Bank and the Outsourcing Company. Please do not interpret the above characterization as a promise or agreed method for benefit conversion.

Example #9: Partner Distributions After the Merger – Background Information

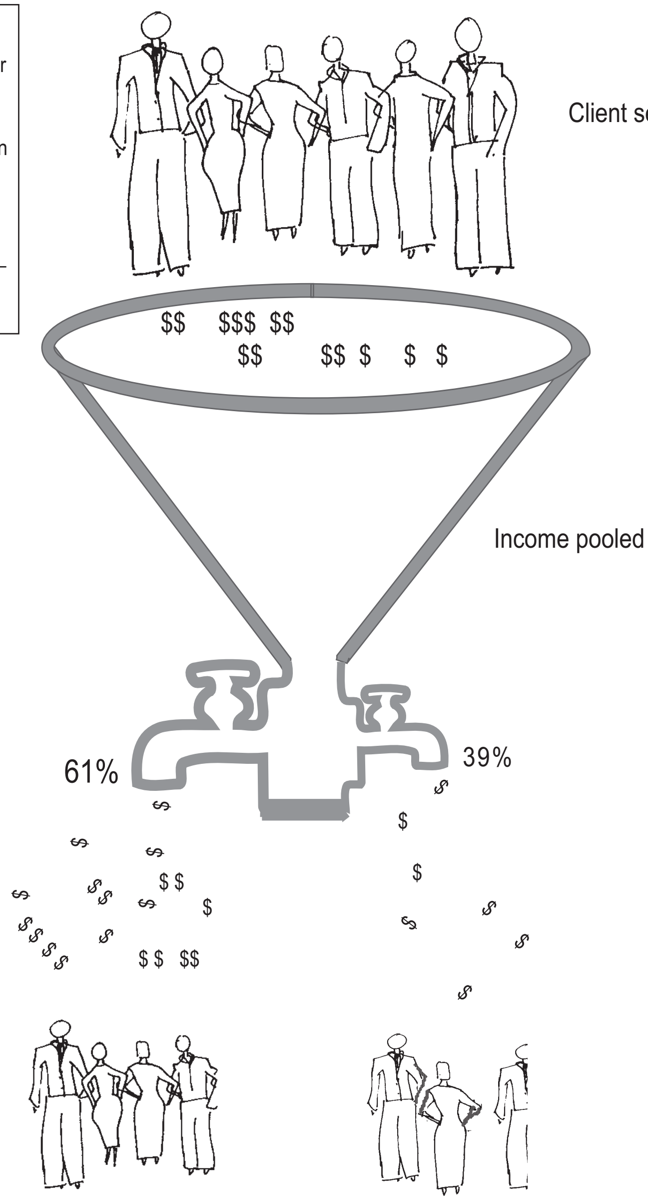
The briefing page is on the next page. This page is only background information making the briefing page easier to understand. This page is for the reader of this report; it was not used in the communication.

Change	Merger
Industry	Professional Services Firms
Background	Two professional services firms were merging. Firm "A" had more partners and more income (but less income per partner) than Firm "B." Firm "A" also had faster growing income than Firm "B" during the three years before the merger. Partners from Firm "A" worried that the merger would dilute their faster growing partner compensation. Partners from Firm "B" worried that the merger would dilute their per partner compensation. Unlike most examples in this report, this communication was certain—if the merger was approved, income would be distributed this way.
Timing	This briefing page was prepared during the planning team's eighth week.
Points emphasized during the spoken briefing	• Partners begin working together immediately. Clients will see one merged company. • All income will be pooled. • However, for distribution purposes, the two firms will remain separate. - 61% of income will flow to "A's" partners—distributed according to "A's" traditional compensation method. - 39% of income will flow to "B's" partners—distributed according to "B's" traditional compensation method. • After three years, a single partner distribution method for the merged firm begins operating.

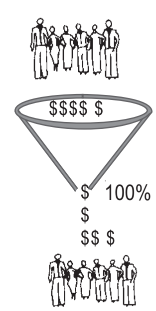
Partners Distributions After the Merger

61/39 split
based on historical performance before merger

	Firm A+B	"A" Contribution	"B" Contribution
1996	100%	58%	42%
1997	100%	60%	40%
1998	100%	65%	35%
Average		61%	39%



2003 and on



Distributed according to new merged firm rules

Transition team working on these new rules now

Example #10: Restructuring Customer Contact Centers – Background Information

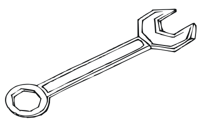
The briefing page is on the next page. This page is only background information making the briefing page easier to understand. This page is for the reader of this report; it was not used in the communication.

Change	Restructure of Customer Contact Centers
Industry	Cable Company
Background	After a benchmarking study, this cable company discovered its customer contact centers ranked in the bottom half compared with major competitors. The cable company formed a restructuring team charged with obtaining: 25% increase in revenue 25% decrease in operating expenses 25% increase in customer satisfaction This became the "25 Project Team."
Timing	The "25 Project Team" communicated this briefing page during their first week of planning. Senior executives initially resisted this communication worried it would lower morale, increase rumors, and decrease existing performance even further. The project team convinced executives that secrecy would never work. Since other cable companies had already restructured their call centers, employees suspected major change. Also the amount of data gathering required for good planning made secrecy impossible.
Points emphasized during the spoken briefing	• Team emphasized that the 25% improvements demanded by executives were non-negotiable. • In every other way the project team was unrestricted (any option was possible). • To reduce risk, executives preferred the least amount of change that still delivered the 25% goals. • Team explained everything on the page was possible–nothing, except the 25% targets, was definite.

Restructuring Customer Contact Centers

25% increase in revenue
25% decrease in operating expenses
25% increase in customer satisfaction

Improve Current Operations



Possible closure of a few smaller/ older centers

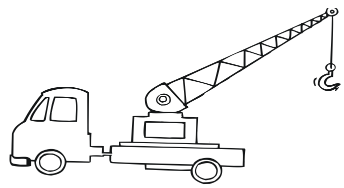
Accelerate existing programs
- sales training
- performance management system
- lower attrition
- call-reduction program
- multichannel operation

Improve platform
- routing upgrade
- CRM improvement
- tech support
- call-back option
- VR (voice recognition)
- IVR (interactive voice recognition)

Flexible staffing
- begin 24/7 for accounts
- more part-timers
- 4/10 shifts
- split shifts
- staggered start times
- distributed workforce (work from home)

Implementing VOIP
- full IT integration
- softphone
- click-to-dial
- dial from memory

Structural Change



Consolidating to fewer larger company-owed and operated centers

- closing most smaller/older centers

Possible new company-operated center probably located overseas (allowing 24 hour operation)

Sales & Service (regular flow) kept within company centers

Sales & Service (peak flow) diverted to external provider on an overflow basis

Limited use of external providers (possible migration of billing)

External Provider Options

Contract operator-
external provider hired to operate (not own) our centers on a contract basis using mostly our agents and facilities

- agents remain company employees
- expect large downsizing of senior staff
- expect small downsizing of frontline staff

Selling company centers-
selling centers to an external provider

- probably some contractual agreement to keep most current agents for a 2-3 year period

- probably some contractual agreement to exclusively service our company from our former centers (after 2-3 years, centers and agents may be used to service other companies)

Closing company centers-
closing all company centers, transferring entire operation to an external provider using the external provider's own facilities and agents

- expect large downsizing of both senior and frontline workforce

Closing could take 2 to 3 years with a gradual transfer of operations to an external provider

Example #11: Plant Closure – Background Information

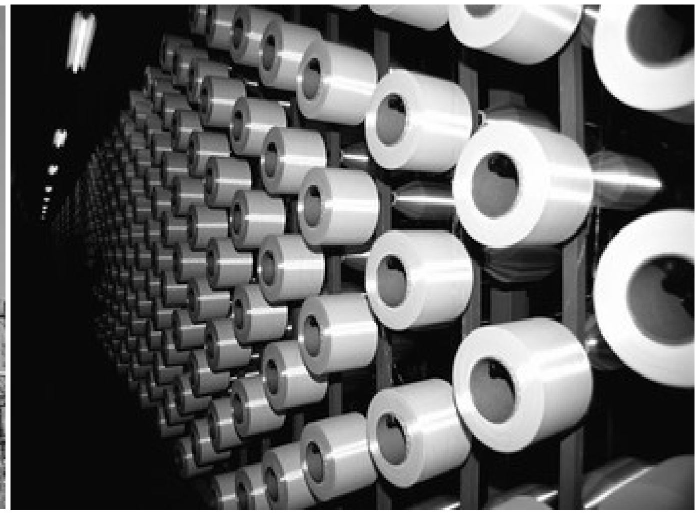
The briefing page is on the next page. This page is only background information making the briefing page easier to understand. This page is for the reader of this report; it was not used in the communication.

Change	Plant Closure
Industry	Steel
Background	The combined steel operation had not made a profit in 10 years. The plant was squeezed by competitors at both ends. At the big end, the plant could not compete with larger, more efficient Asian mills. At the small end, the plant could not compete with smaller, quick-responding mini-mills located much closer to the steel-using customers. The company tried unsuccessfully to sell the plant to another steel producer. Consulting studies show the greatest value came from closing the plant, removing all structures, and selling the land as real estate. The closure would happen in two phases: 1) upstream: coke plant, sinter plant and blast furnaces; and then 2) downstream: finishing, wire, pipe, bar, rod, and sheet plants. Although there were still some efforts to rescue the plant (low price iron-ore briquette for upstream) and (new mini-mill to supply the downstream) neither of these options seemed likely to succeed. Even though the decision was not final, there was significant momentum toward closing the steel plant. Management wanted to communicate early and take control of the communication both internally with employees and externally with the community.
Timing	This was the first communication. Fourteen subsequent briefing pages provided more information as the final decision came closer.
Points emphasized during the spoken briefing	Briefers explained that all numbers were estimates and could changed. While closure was not a certainty–it was extremely likely. Subsequent briefing page would update employees on any success finding an iron-ore briquette supplier; or investment in a new mini-mill.

Likely Plant Closing

Warning

This information accurately reflects company thinking at this point in time. The information provided here is an early forecast. It is extremely likely this information will change as time proceeds. Employees should not base career, financial, or personal decisions on the information provided here.



Upstream - steel making coke plant, sinter plant, blast furnaces	Downstream - steel finishing wire, pipe, bar, rod, sheet
▪ expect upstream operation to close, more than 95% likely ▪ efforts underway to save upstream, but chances of success are very low ▪ expect closure within next 18 to 24 months ▪ very few layoffs expected before closure (long-term customer contracts will keep us busy) ▪ closure could be delayed, not canceled, if low-cost supply of iron ore briquettes is found ▪ finding briquette supplier could provide 6 to 12 additional months of upstream operation ▪ low briquette prices, caused by oversupply, is usually a short term situation	▪ expect downstream operation to close, more than 90% likely ▪ efforts underway to save downstream, but chances of success are very low ▪ expect 3-6 more months of downstream operation after upstream closes ▪ very few layoffs expected before closure of the upstream ▪ after upstream closes, expect waves of layoffs during the final 3-6 months of downstream operation ▪ some parts of downstream could remain open if company invests in mini mill (EAF) ▪ even with mini mill, 60% to 75% of current downstream jobs would still be lost ▪ mini mill investment is unlikely (local customers hard to find as manufacturing base in surrounding 500 miles radius has declined)

What To Do Next

Email or Call Us

We would be happy to speak with you about lessons learned or any of your safety communication needs.

You may schedule a telephone call or conference call for no charge.

Phone: 1-212-860-2939; Email: Larkin@Larkin.Biz

Other Services

Presentation

- 1 to 3 hours
- shows examples and research supporting communication best practice

Workshop

- 6 hours
- more hands on with a small group

Implementation Contract

- 2 weeks
- TJ moves inhouse, joints a project team, and works on a major communication project

Who We Are

Dr TJ Larkin

Sandar Larkin

Since 1985, we have been helping large companies improve communication with employees.	
Book	*Communicating Change*, McGraw-Hill, New York
Most Read Paper	"Reaching and Changing Frontline Employees," *Harvard Business Review*
Newest Papers	Download our newest papers on communicating safety from our website: www.Larkin.Biz (no charge)
TJ's Background	Ph.D. in Communication (Michigan State University) M.A. in Sociology (University of Oxford)
Sandar's Background	Sandar is originally from Burma and worked with the Long Term Credit Bank of Japan before starting Larkin Communication Consulting with TJ.

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