The Board’s Role in Major Change

Mechanics and Mindsets for Successful Change Execution

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The vast majority of major organizational change efforts fail to achieve their intended objectives. While some degree of progress is usually attained, the full extent of the promises made are seldom satisfied. Through our work with leaders of international NGOs (INGOs) and nonprofit organizations, we are increasingly convinced that board engagement throughout important change initiatives can significantly improve the odds of success.

In this paper we introduce two fundamental components of proper board involvement during times of major change: the mechanics *of their engagement as well as the* mindsets *that are essential if boards are to effectively support the achievement of crucial organizational change objectives.*

INGOs and nonprofit organizations around the globe are being buffeted as never before by pressures from multiple fronts. Some challenges arise from overlapping humanitarian crises, whether caused by human activity or nature. Others are the result of increasingly difficult operating environments—inadequate funding, the ongoing global pandemic, armed conflict, and more. Add to these challenges the internal struggles some organizations are facing that undermine their legitimacy and moral standing, and many INGOs and nonprofits are being stretched to the breaking point.

Some of these challenges can be addressed with incremental initiatives. To a growing extent, however, major changes are required. Such shifts may involve pursuing radically new strategies and operating models, making significant modifications in mindsets and behaviors across the organization, or displacing traditional power structures and governance practices across a network of member organizations. Consequently, the boards of many civil society organizations are increasingly being asked to approve significant change initiatives. Yet merely approving the right response to dangers and opportunities does not create the intended results; only successful execution of those solutions does. And this is where we believe boards can play a more active and effective role than they traditionally have.

Boards are accustomed to casting “yay” or “nay” votes when presented with proposals involving major organizational changes. However, ask INGO and nonprofit board chairs to describe the role

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they play in supporting the CEO and management in the *execution* of such changes, and you'll find a wide variety of responses, ranging from "we tend to maintain a hands-off stance" to "we engage only as needed" to "we remain involved until expected results are achieved." As with the many other responsibilities that a board performs, these quotes illustrate the spectrum across which boards provide support to senior leadership during times of change. The two ends of this spectrum reflect boards that are overly enmeshed in the execution of major change on one end and boards that are strikingly underinvolved on the other. There is no one "right" answer to the question of where, between these two extremes, a board should operate. Different change efforts require different levels of engagement. That said, our intent for the remainder of this paper is to provide guidance to boards as to how, when, and from what altitude to provide support during the implementation of major change.

To do so, we will introduce two fundamental components to which a board should attend from the moment a major change is considered to the point at which the objectives of the shift have been achieved. The first component consists of the *mechanics* of a board's engagement during major change efforts. The second is a set of *mindsets* that are essential to effectively deliver valued perspectives when supporting senior management's actions. These two components work synergistically; exercising one component without the other compromises the change effort and increases of the risk of falling short of the intended results.

Component I: The Mechanics of Board Engagement

When observing major change endeavors that reached their intended outcomes, we have found that board involvement begins even before the decision is made to move forward. Members engage in the early discussions with senior leadership about the need for change, debate the merits and risks of a specific approach, and only then issue their approval. Further, after granting approval, boards leading successful change initiatives remain engaged throughout the execution process until the intended outcomes are fully realized.

This degree of involvement consists of four elements, or *mechanics*, that the board must engage throughout the change journey:

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- Determining when a change demands board attention
- Deciding if the proposed change should proceed
- Owning the change, as demonstrated by words and actions
- Engaging in strategic oversight throughout implementation

At first glance, it might appear we are advocating for boards to micromanage the executive team during major change. As you will soon see, this is not the case. In fact, we believe board members must *not* become involved in the minutia of the change process. Rather, boards should maintain a strategic focus (versus a tactical one) throughout change execution. For boards to have the impact we are advocating, it is imperative that these four elements be pursued while respecting the boundaries of the executive leadership role.

Component II: Essential Board Mindsets

While these four elements of board engagement are critical, they are insufficient, on their own, to realize transformational change. Just as important are five *mindsets* the board must adopt. They are:

- Building trust between the board and senior management
- Expecting the unexpected during implementation of the change
- Respecting inevitable periods of optimism and pessimism
- Learning throughout the execution phase of the change
- Appreciating that "red is good” when pursuing major change

In the pages that follow, we explore in greater detail the mechanics of board involvement as well as the required mindsets. You may notice that we devote more time to explaining the mechanics than the mindsets. This is not because the mechanics are more important, but rather because they may be novel to many boards and thus require a bit more description.

Before we begin, we would like to introduce an example of an INGO that was pursuing a major change and what its board learned from the experience. We will reference this case throughout the paper as a real-life example of the various issues or dynamics we are describing.[1]

The INGO in our example was facing significant economic headwinds when, fortuitously, an opportunity to merge with another organization surfaced. The potential combination of the two entities appeared to not only address many of the financial issues at hand but also promised to dramatically expand the INGO's technical capabilities and global footprint. The merger would mean a transformative change in both the scale and impact of the enterprise.

The INGO's board gave management a quick and enthusiastic "green light" to pursue this attractive merger. However, after months of intensive effort to create the framework for the new combined entity, the effort abruptly collapsed. Board members were shocked by the sudden end to negotiations, especially in light of repeated assurances they'd received that discussions and planning activities between the two entities were proceeding as expected.

What happened? What opportunities did this board miss to stay actively engaged and support the success of this effort?

[1] While this case involves a potential merger between two organizations, we could have just as easily chosen other examples of major organizational change. We encourage the reader to substitute a major change you have pursued (or anticipate pursuing) in lieu of this example to help bring our recommendations to life.

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THE MECHANICS OF BOARD ENGAGEMENT

We turn first to describing the four mechanical elements of board engagement—what they are, why they are important, when to engage them, and finally how they are likely to impact the success of the change if they are adopted (or not).

Determine When Change Demands Board Attention

Most board members in civil society organizations split their time among a host of other personal and professional obligations. Therefore, regardless of how often a board and its committees meet, focus and time are among its most precious commodities. It is the responsibility of board chairs and their CEOs to be ruthlessly selective in what they bring to the board's attention and how much time each item consumes.

In situations where proposed changes are under consideration, three questions help board chairs and senior management determine which initiatives deserve the board's valuable time and attention:

- ***To what extent is the change transformational (versus incremental) in nature?***
  A transformational change dramatically alters the course of current actions instead of refining what is already in place. It causes major disruption to people's expectations by requiring a shift in not only their behaviors but also their mindsets regarding their role and the organization. Incremental change, on the other hand, may involve modifying behaviors but does not generally require the adoption of new mindsets.

- ***To what extent does the change need to be realized (versus merely installed)?***
  Installation occurs when new skills, technologies, processes, or procedures are deployed in the organization. Realization, on the other hand, is achieved when the organization reaps the full range of benefits that these changes are intended to deliver.

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- ***To what extent is the change a crucial organizational imperative (versus a good idea)?*** Crucial imperatives are endeavors in which the price for not resolving a problem or not taking advantage of an opportunity is prohibitively high. The determination to see these kinds of changes succeed must outweigh the impediments to be faced and battles to be waged. The stakes for pursuing good ideas, on the other hand are much lower; the organization is not placed at serious risk if this sort of initiative fails.

These three questions locate any change along three continua that indicate how difficult and risky a shift will be (Figure 1). We define a "major change" as one that is characterized as being *transformational* in nature, which must be *fully realized*, and which is considered a *crucial imperative*. In other words, it is a change whose profile is located near the upper end of each of the continua below. The more an endeavor exhibits these three characteristics, the more difficult and riskier it will be, and the more time, attention, and engagement it will require from the board.

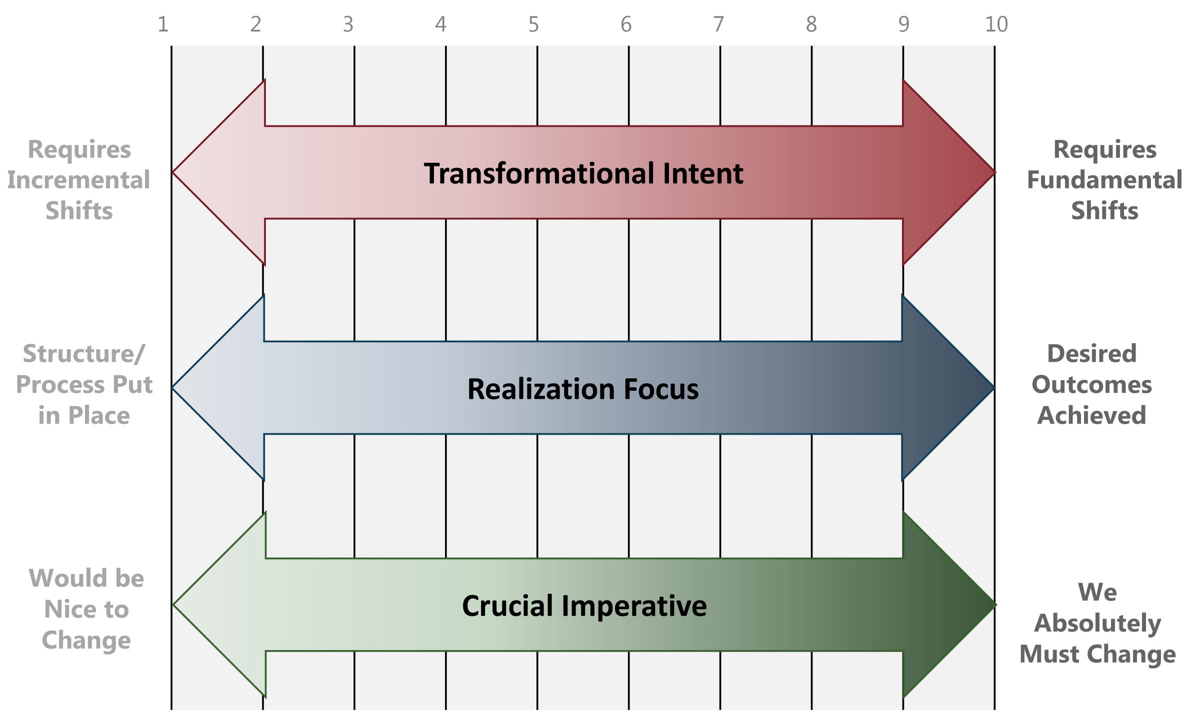

Figure 1. Change worthy of board attention

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Examples of major changes include shifting from a highly centralized operating model to one that places more autonomy at the local level; changing the organization's programmatic focus and/or geographic footprint; fundamentally shifting its financial model; and, finally, engaging in a merger or acquisition, as our case study illustrates. Again, these are examples of what may constitute major change for organizations. The profile of any specific change is a function of an organization's unique circumstances—one organization's transformational change may be another organization's incremental shift.

All too often, executive leadership and their boards arrive at different conclusions about where a change falls on the three major continua. This leads to misunderstandings about what the change's true purpose is and what will be required to be successful. As you will see later in this paper, forming a solid shared understanding of the nature of the proposed change is essential for making a well-informed decision to move forward (or not) and for building the necessary commitment and alignment to be successful.

In our INGO example, several board members did not share the CEO's perspective that the merger was absolutely necessary. They felt it was a good idea, yes, but not a crucial imperative. The challenge this misalignment presented was magnified by the fact that several members of the upper management team also did not believe that the merger would fully address the financial issues that prompted the merger in the first place. Because there was never an explicit discussion of the level of transformation, desired outcomes, or urgency of the change, inconsistent views developed across the board and senior management team regarding the necessity of successfully completing the merger, thus jeopardizing its success.

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When boards adopt this aspect of their role in supporting change:	*When boards fail to adequately adopt this aspect of their role in supporting change:*
They allocate their time and energy to exploring the highest-priority changes their organizations are pursuing (transformational, realization-focused crucial imperatives). Their goal is to develop a shared understanding of what they are being asked to approve and the implications of pursuing such an initiative.	Major proposed shifts fail to capture the necessary time and attention required to make an informed decision about moving forward. Boards do not develop an adequate understanding of the character and urgency of the change and/or what is involved in reaching full realization.

Deciding If the Change Proceeds

Once there is a common understanding of the nature of the proposed change, the question then becomes: *Should the initiative move forward?* This is where the board needs to explore as much as it can, given the information available, if the proposed initiative (or set of changes) adequately addresses the problem at hand or sufficiently leverages the opportunity that has surfaced.

Too often, we have seen boards regret, after the fact, that they did not ask enough of or the right kinds of questions at this stage of the decision-making process. In some cases, it was because they believed (or hoped) that management had conducted proper due diligence before presenting the idea. In other cases, board members did not want to risk creating awkward or uncomfortable moments for themselves or others by openly scrutinizing aspects of an undertaking that had already gained support from other members. And finally, sometimes, individuals did not raise concerns or questions for fear of revealing their own lack of understanding and/or relevant knowledge of what was being considered. No matter the reasons, when a board inadequately vets a proposed change, its

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decision on whether to move forward is ill-informed, and odds increase that its commitment to the change will waver when new information and challenges surface during implementation.

In the previous section, we discussed how essential it is for boards and management to arrive at a common view of the *nature* of the change (incremental vs. transformational, installation- vs. realization-focused, good idea vs. crucial imperative). Before deciding whether to move forward with the endeavor, it is critical that members of the board also arrive at a shared understanding of *what is being promised* by the proposed solution; *the requirements* for successfully realizing its full intent; and the *level of demand* that the effort will place on the organization's leaders, its people, and its board. Without this foundation, it is impossible for the board—should it decide to sanction the change—to develop a deep and shared commitment to realization success.

One area that is often underappreciated when considering major change is its risk profile; that is, the factors which could undermine full realization of the desired outcomes. For boards to better appreciate the potential risks to realization of the change, they should insist that the sponsors[2] of the change (usually senior management) conduct a risk due diligence effort to identify the most salient risks to achieving success. While there are always risks that are unique to a particular change, there are certain execution risks to which senior management and their boards should always remain attentive.[3] These can be surfaced with the following questions:

[2] *Sponsors* are individuals or groups who have the power to authorize or legitimize change in their area of responsibility. They sanction initiatives through the use of influential communication and meaningful consequences (rewards and punishments).

[3] For a fuller exploration of each risk and its implications on change execution, see the *Additional Resources* section at the end of this paper. We recommend starting with "Leading Successful Change Amidst a Disruptive INGO Environment."

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Risk Due Diligence Questions

1. Has a well-crafted statement of the strategic **intent** of the change been developed in order to enroll[4] people throughout the organization and to help ensure that the integrity of the change's intent is protected during implementation?

2. Is there strong synergistic **teamwork** among senior leaders (particularly between the board, the CEO, and the executive management team)?

3. Is there a network of leaders across the organization and at multiple levels suitably equipped to function as **sponsors** of change?

4. What are the likely barriers to achieving the necessary **commitment** to the intent of the proposed change at all levels of the organization, and how will **resistance** be addressed and appropriately leveraged?

5. Are there sufficient **safeguards** against advancing more change than people can properly absorb?

6. In what ways will the organization's **culture** need to be adjusted to foster the mindsets and behaviors needed for transformation success?

7. Are the right **enabling mechanisms** (competent change resources, project managers, etc.) available to help achieve and sustain the intended outcomes?

Each of these questions refers to a specific condition that, when absent, represents significant risk to the achievement of full realization of major organizational changes. Obviously, when a new change is being proposed, the answers to these questions will be incomplete. However, asking these questions

[4] *Enrollment* consists of a set of activities to promote a shared understanding of, commitment to, and alignment around the successful execution of a change. All individuals and constituencies who will be involved with or affected by the change should be enrolled and, thereby, develop this shared understanding, commitment, and alignment.

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is paramount because the conclusions—however tentative—will point to priority areas where senior management needs to focus its risk mitigation efforts when implementing the change. The risk assessment will also alert the board to the areas it should monitor when performing its oversight role during implementation.

Once a board is satisfied that these risk areas have been adequately assessed and understood, it is in a better position to grant (or deny) approval for a major change effort. The board is also better prepared to approve the necessary funds and other resources required to fully realize the intent of the change.

In addition to helping the board appreciate the potential risks before granting approval, this investment of time and effort creates the conditions to develop a common understanding with management of *what* specific outcomes are desired, *how* they will be measured, and *when* they can be expected to be achieved. This shared understanding, in turn, provides the foundation for a building strong commitment to the change and alignment between the board and senior management to fully achieve the desired outcomes. Failure to develop adequate levels of any of these three conditions—shared understanding, strong commitment, and alignment between management and the board—dramatically undermines the chances of fully realizing the change.

In our example, several of the INGO's board members concluded, in retrospect, that they should have asked more questions during the deliberations about whether or not to pursue the proposed merger. For instance, they later realized that they possessed insufficient information on what form the proposed merger would take and how it would resolve the financial threats the organization was facing. They also realized too late that they had not adequately explored the barriers they were likely to encounter during the merger discussions. As a result, the board gave approval to a massive endeavor based on an incomplete appreciation for what it would take to succeed. This failure to develop a united perspective on what they were approving led to varied levels of commitment, which ultimately undermined the merger efforts when their support was most needed.

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When boards adopt this aspect of their role in supporting change:	*When boards fail to adequately adopt this aspect of their role in supporting change:*
They demonstrate a shared understanding of, commitment to, and alignment with senior management around the change since they have invested sufficient time and energy to… • Fully test how the proposed change addresses the problem or the opportunity at hand; • Agree on what full realization looks like, how it will be measured, and when it will be achieved; • Surface potential risks to success; and • Determine the necessary funding and required resources… …as they arrive at their decision to move forward or not.	They approve major initiatives (and the subsequent investments of time, money, and other resources) without adequately vetting or understanding the implications. They fail to form a solid sense of the level of risk and effort involved. They often do not share the same perspective among themselves regarding what success looks like and how urgent or critical its full achievement is. Without a full appreciation of what is being considered, board members vary in their levels of commitment to achieving the intended outcomes, and they lack alignment with management. This, in turn, can cause turmoil during execution when difficult tradeoffs must be considered. When a board's confidence in and resolve toward transformational success is built on a shaky foundation, its sustained support is vulnerable to collapse.

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Owning The Change

When pursuing a major organizational shift, a key requirement is for senior management to build fervent commitment to successful realization among its own ranks, staff, and other stakeholders affected by the change. To provide effective strategic oversight, boards must also develop a strong resolve to achieve the desired outcomes. Initiatives that are transformational, realization-centric, and nonnegotiable demand more than mere approval; board members, as well as senior management, must "own" the change.

What does deep "ownership" look like? First, it requires thoroughly investigating the implications of the change. This investigation is usually accomplished when the board is collectively defining the nature of the change and again when deciding whether implementation should proceed. At these stages, they become committed to not only *what* will be substantively different after implementation, but also *why* the status quo is no longer feasible, *who* will be most affected, *how* the change will be implemented, and *when* it will be completed.

Second, deep "ownership" requires personal investment. The members of the board must individually and collectively internalize how vital it is that the change reach full realization. They need to be prepared to demonstrate, through their words and actions, a high level of personal responsibility for the success of the change. They will need to serve as enthusiastic advocates for the new way of operating, remain vigilant about the forces and circumstance that could undermine the change, and be prepared to expend the necessary energy and political capital to ensure its success. Their motivation for this kind of support needs to go beyond any data-driven analysis of the factors in play; it must become personal. Their individual beliefs and aspirations must align with those required by the shift.

Typical "ownership language" you'll hear from board members includes statements like:

- *On my watch, this change is going to become a reality.*

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- *Problems and limitations are challenges we must overcome, not excuses for why we may fall short.*

- *This is more than a board duty for me; it has become a personal imperative that this endeavor become entrenched in the fabric of the organization.*

Members can't expect to oversee fundamental change in others if they aren't open to fundamental change in themselves. With few exceptions, most board members find that their past experience with organizational change, even significant transitions, doesn't fully prepare them for the demands of a new major change effort. They will need to acquire new perspectives, skills, and stamina to keep up with the reality that unfolds. Developing a deep sense of ownership is a demanding journey for individual members as well as the board as a whole. It doesn't arise from cavalier information reviews or peripheral conversations; it develops as the result of a significant investment of time and attention.

To fully embrace these required shifts, individual board members may encounter some initial discomfort, if not outright resistance. The difficulty and scale of these adjustments could even overwhelm an individual's capacity to absorb what is required. However, the effort to come to terms with this challenge is essential. Only through this struggle with concerns, questions, and doubts can deep commitment develop. By owning the major changes they approve, the board helps the organization to persevere in the face of challenges and increases the likelihood of full realization.

In our example, there was inadequate ownership of the proposed merger by its board. This should not be surprising, given the lack of a common understanding of, commitment to, and alignment around the proposed integration from the outset. Indeed, several board members (as well as some executive team members) voiced relief when the pursuit of the merger ended in failure! It turned out that these members had harbored a number of misgivings as the negotiations for the merger dragged on. Over time, the effort was increasingly seen as primarily the CEO's priority and not that of the board or even the senior management team. Given how difficult it is to achieve the desired outcomes of major change initiatives under the best of circumstances, it is hardly surprising that this lack of ownership by the board did not bode well for its success.

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When boards adopt this aspect of their role in supporting change:	*When boards fail to adequately adopt this aspect of their role in supporting change:*
They invest time and energy to go beyond merely approving major change; they commit to its success at a very personal level. This sense of deep ownership in turn provides a strong foundation upon which a board can rely to overcome the challenges that inevitably arise when implementing transformational change, provide political "air cover" to management when resistance is encountered, and promote the change to the relevant constituencies.	Without putting in the work to develop a strong sense of personal ownership, boards are more likely to abandon a major change prematurely when substantive challenges—such as the pushback from powerful and/or influential stakeholders—surface during implementation.

Engaging in Strategic Oversight

In our experience, most boards have a bias toward deferring to their organization's senior leadership team to handle change execution. We believe that this is due to a generally held assumption that the implementation of major change is a tactical matter and therefore best handled by those inside the organization. Furthermore, some board members feel that getting involved during the execution phase crosses a line and encroaches on executive leadership's domain.

Boards are typically comfortable providing fiduciary oversight, and they are familiar with their responsibility to review and discuss updates from management. We believe that boards often miss a distinct and essential additional role they can and should play in providing strategic oversight *during*

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the execution phase of major change efforts. However, because any asset overplayed can become a liability, such involvement must be approached with caution.

To define this role, the questions that must be answered are: *From what altitude should a board engage in oversight of a major change?* and *What does this kind of engagement entail?* To begin to address the first question, let's examine what *inappropriate* board-level oversight during change execution looks like. Figure 2 illustrates two equally dysfunctional ends of a spectrum of board involvement when major changes are brought to its attention.

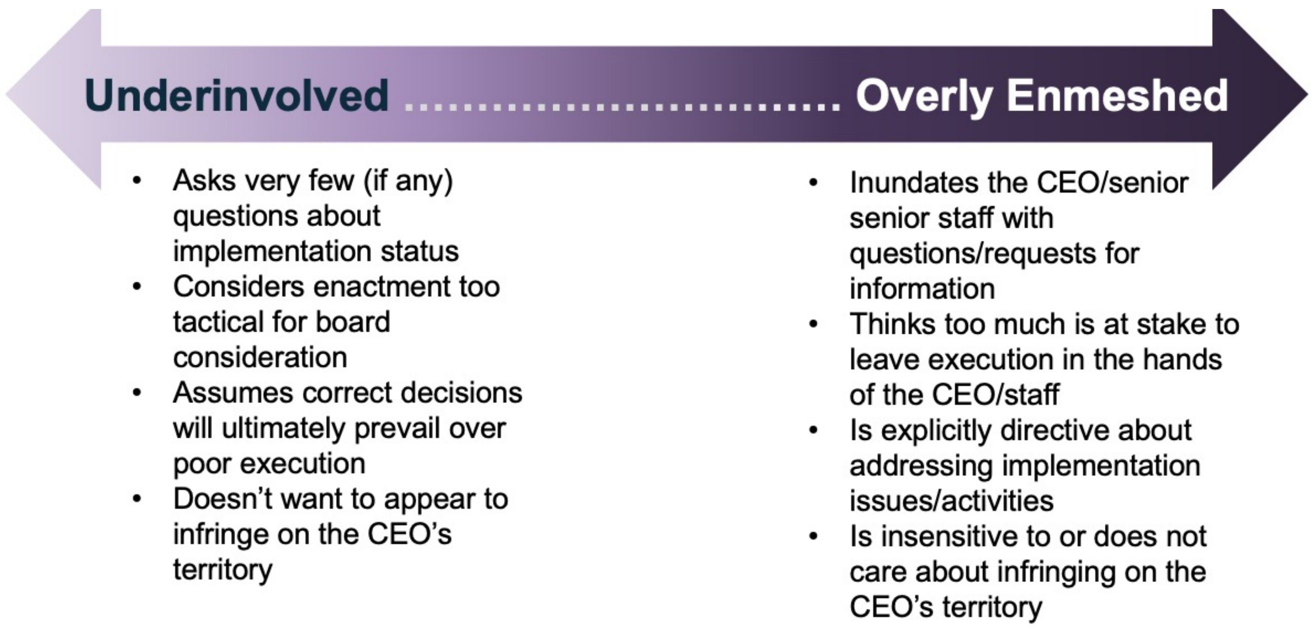

Figure 2. Dysfunctional board involvement

If these two extreme versions of board behavior during change implementation are both problematic, what does the optimal middle ground look like? To illustrate, we like to use a horticultural metaphor. While boards should not be down in the "execution weeds," it is important that they know:

- Which weeds, if left unattended, could threaten the crop;
- What it will take to keep the crop tended and thriving; and
- Whether or not effective crop management is taking place.

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The weeds in our metaphor relate to execution risks that, if left unaddressed, can undermine full realization of the change. Following the risk assessment that we discussed earlier, management should prepare a well-formulated "execution roadmap." This roadmap should not only identify critical implementation milestones, but also identify planned actions to prevent or at least mitigate the risks identified by the initial risk examination. Boards should expect periodic status updates on roadmap progress, and they should be alerted to new challenges and risks that surface after implementation has begun.

When receiving these periodic updates, boards can ensure they are providing strategic oversight from the proper altitude by limiting their questions to ones such as the following:

- *Since our last update, are we as far along as we had hoped to be at this time? If not, what steps are we taking to get the effort back on track?*

- *Have any new risks or barriers to realization surfaced? If so, what actions do we need take to address them?*

- *Have the planned actions we took to mitigate the set of risks that were identified during the initial risk assessment proven sufficient? If not, what adjustments or changes have we made to effectively deal with them?*

- *What have we learned from the implementation activities to date that could (and perhaps should) cause us to adjust our plans going forward?*

Leaders can do their part in helping the board maintain the proper altitude of involvement by ensuring their responses to fall into one of three categories:

- *This is what has already been done to address this risk, and these are the results.*

- *This is the plan we have in place to address these gaps or issues.*

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- *This is when we will have a plan in place.*

If senior management is unable or unwilling to provide answers of this nature, many boards feel the need to recalibrate the intensity of their oversight—increasing the frequency and penetration of their update requests or even going so far as to take a more hands-on approach to overseeing the change.

To return to our case study, the key players on the board and in senior management conceded that a thorough execution risk assessment was never conducted, nor was an execution roadmap prepared that could have guided the board's oversight. Since they didn't rigorously discuss the potential execution risk areas with upper management before or during the implementation process, the board was unaware of risks that began to emerge during the merger discussions.

In fact, by the time the board came to appreciate the inhibitors, the deal was already in its death spiral. They had missed multiple opportunities to assess the risks and determine if the merger still made sense as new information surfaced. Instead, the board had continued to approve senior management's requests for additional time and money to pursue the merger, effectively squandering precious resources over several more months. It was too late to rescue the effort.

In light of this painful and costly experience, this INGO's board has committed to requiring risk due diligence at the outset and throughout pursuit of future endeavors of this magnitude. Moreover, they have pledged to revisit their decisions periodically during the execution phase of any new major changes as new information emerges and circumstances evolve.

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When boards adopt this aspect of their role in supporting change:	*When boards fail to adequately adopt this aspect of their role in supporting change:*
They focus on the right threats to realization, keep the dialogue centered on appropriate questions to and answers from the executive team, and thereby operate at the proper altitude when providing oversight for major changes.	They miss a critical opportunity to provide valuable support to upper management, and they decrease the odds of successful realization of the change. They are likely to either over- or underestimate the optimal level of strategic oversight.

ESSENTIAL BOARD MINDSETS

So far, we have described the mechanics of board engagement when their organization is pursuing a major change. Much of the foundation for appropriate strategic oversight of change execution boils down to understanding what questions to ask, when to ask them, and what constitutes proper responses. Specifically, the board must: 1) recognize what changes deserve attention and develop a shared understanding with senior management of any major change under consideration; 2) develop an appreciation of the potential risks to and likely price of achieving full realization before making the decision to move forward with the change; 3) develop a deep sense of ownership for the success of the endeavor; and 4) exercise the proper level of oversight and engagement during the implementation phase of the effort. However, this is only part of the story. What allows boards to effectively apply these mechanics and to play a valuable supporting role to senior management are five essential *mindsets* that we describe below.

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Building Trust

For this model of oversight to work, a solid foundation of trust and a history of transparency must exist between executive leadership and the board. There must be a pattern of delivering on promises and openly discussing issues in a timely manner between the two parties.

When trust and transparency do not exist or remain underdeveloped, a board must often delve deeper into the risk-related responses given by upper management until they are confident that the risks have been (or will be) adequately addressed. This is not a good use of the board's valuable time or energy; they need to be operating at a higher altitude. Therefore, sufficient trust must be established and strengthened via honest ongoing dialogue between senior management and their board throughout the change process.

Expecting the Unexpected

By their very nature, major change endeavors do not follow a linear path; therefore, there is always a high degree of unpredictability. In most cases, transformational change requires charting new territory where the organization has little to no experience. Assumptions made about how certain actions will play out during change execution are often wrong. It is also highly likely that new threats to realization will emerge due to changing internal dynamics and/or external circumstances during the months- or years-long implementation efforts. Finally, mistakes in judgment and/or execution are inevitable. A useful axiom to live by when implementing major change is: Don't be surprised by surprises.

Respecting the Optimism/Pessimism Cycle

"Uninformed optimism" is the term we use to describe the naïve enthusiasm that typically exists early on, when an organization thinks it has an implementation plan that accounts for all potential scenarios. Since executing major change is always accompanied by the unexpected, this initial confidence and enthusiasm is actually unrealistic certainty based on insufficient data. In time, as the complexity of the change surfaces, leaders will begin to ask, *What did we get ourselves into?* We refer

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to this soberer phase of implementation as a period of "informed pessimism"—the point at which the enormous difficulty and risk of implementing major change begin to be fully appreciated.

When dramatic change is in play, this movement from sureness to doubt is not only inevitable, it's a positive sign that the reality of what the change really means and what it requires are setting in. This awareness can be scary and uncomfortable, but the alternative, naïveté, is far riskier.

Boards (as well as senior management) need to remind themselves that when in the midst of informed pessimism, this is a predictable phase of most significant change projects. The anxieties and apprehension that arises don't automatically mean pursuing the change was a bad decision, they merely show that the true cost of the change has finally become clear. Throughout this phase, boards should continue to exercise their strategic execution oversight by revisiting the risk due diligence questions and execution roadmaps with their management teams.

Though strategic oversight may uncover reasons to terminate or reduce the scope of an endeavor, more often what surfaces are challenging circumstances that can be mitigated or eliminated. As implementation barriers are overcome and threats to realization are addressed, boards and senior leaders can eventually find themselves entering a phase of hopeful realism and, eventually, informed optimism as success becomes increasingly likely.

Learning Through Execution

It bears repeating: No matter how well-formulated an execution plan is, unanticipated challenges will inevitably emerge during implementation of major change efforts. Though this can be disconcerting, it is good news, because these unexpected issues can provide invaluable lessons that have implications for subsequent execution actions and phases. Boards must not only be prepared for surprises, they must also be proactive in asking—and prompting upper management to ask—what is being learned as implementation unfolds: *What implementation actions are generating the hoped-for outcomes? Should these actions be reinforced or strengthened? Which ones are not delivering the needed results? Do we need to adjust any of these activities or try something different? How are subsequent phases of the implementation process being modified in light of our experience?*

Red Is Good

Red/yellow/green coding is commonly used in project or program updates. The meanings we have learned to apply to each color are as follows:

> Red – *Some significant implementation barriers or challenges to realization have been encountered that require serious and potentially urgent attention.*
>
> Yellow – *Some issues or delays have cropped up that concern us; we are investigating, monitoring, and/or taking action to mitigate.*
>
> Green – *The plans we have in place are sufficient to address the known inhibitors to realization.*

"Red is good" and its counterpart "red is bad" are mindsets that reflect the degree to which an organization values candor when providing status reports. It's never stated overtly as official guidance, but in many work settings, conveying that a key change-related task is "red" can put your role on a project (and even your job) in jeopardy. In other environments, you are a hero if your early "red" declaration allows for a timely resolution to what could have been a much worse problem. Sadly, the latter environment is not encouraged often enough.

Updates to senior management teams and boards are too often filled with change project status items labelled green when the reality of the situation suggests otherwise. Occasionally, an item or two will show up as yellow. Rarely do we see items characterized as red.

The likelihood of almost any significant change being predominantly green most of the time is low. Unless executive leadership is transparent with themselves and their board about the inevitable red that exists, it is difficult for board members to provide the kind of guidance and support that will enable the organization to address these challenges in an effective and timely manner. The "red is good" mindset indicates a level of trust between upper management and the board that no one will

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be punished for raising challenges and, in fact, that such candor and proactiveness are essential to effective implementation.

The combination of these *mindsets* with the *mechanics* of strategic oversight is critical if boards are to effectively support and partner with senior management on major change initiatives. Application of the mechanics of board engagement without these mindsets will prove inadequate in the face of the inevitable challenges encountered when implementing major change.

The INGO executive team did not feel comfortable informing the board of significant obstacles that surfaced as the merger discussions unfolded. As a result, the board was unaware of these "red flags" until just before the talks collapsed. In retrospect, the board realized that they had not set the expectation that it was the senior team's responsibility to raise any significant issues that were emerging during the execution phase and to identify the actions they were considering, planning, or taking to address challenges. Instead, the board had been quick to accept senior management's word that the talks were proceeding apace and that there were no issues of which the board needed to be made aware or with which it should be involved. Subsequently, the board agreed to adopt a "red is good" mindset for all major change efforts going forward.

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When boards adopt these mindsets for supporting change:	*When boards fail to adequately adopt these mindsets for supporting change:*
They create a foundation of trust where transparency is not only desired but required so that they can provide the necessary level of support and guidance. They appreciate the unpredictable nature of transformational change and the opportunities to learn and improve throughout the journey to realization. Finally, they remain steadfast as new challenges or opportunities emerge during implementation.	They are likely to either over- or underestimate the optimal level of strategic oversight. They are also vulnerable to either over- or underreacting to the inevitable surprises that emerge during execution of transformational changes. Finally, they can end up frustrated with senior leadership and skeptical about the organization's ability to execute needed change in the future.

CONCLUSION

In the previous pages, we have described a critical role that boards not only can but should play when their organizations are facing changes that are transformational in nature, realization-focused, and considered crucial imperatives. By adhering to a set of four mechanics, boards can better ensure that they are engaging at the right time and from the proper altitude when supporting the implementation of major change. First, they judiciously invest their time and effort only in changes that they and senior management agree meet the criteria for major change. Second, they put in the work to fully understanding how the proposed change addresses (or does not address) the problem/opportunity at hand, the risks to realization, and the likely price for realizing the intent of the shift. They do all of this *before* sanctioning the change. Third, they embrace the implications of the change on a personal level and wholeheartedly support executive leadership in the pursuit of full realization. Finally, they remain engaged in strategic oversight and attend to risks to realization not

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just at the outset of the endeavor, but throughout the implementation process. To effectively deliver value in this strategic oversight role, board members must adopt a set of mindsets built on trust, transparency, and learning as well as an acceptance of the unpredictable nature of major change endeavors. When boards have committed to these mechanics and mindsets for pursuing major change, they give their organizations the best chance of success.

Conner Advisory will continue to monitor and study the factors that are aiding or impeding the progress of INGO leaders and their organizations as they adapt to—and hopefully thrive in—this unprecedented environment of change and disruption. We invite you to download our other research papers and follow future insights on our website, conneradvisory.com.

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Prior to starting Conner Advisory, Ed was a partner at PricewaterhouseCoopers (PwC) where he headed up the US People and Organization consulting practice. In this role, Ed was responsible for leading a team of more than 400 practitioners who helped clients execute large-scale strategic projects. Before that, he served as President and Chief Executive Officer of The Forum Corporation, where he advised senior business leaders involved in major change initiatives.

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