

Global Project Strategy (011) (603) 862-3374

*Transformations require a crisis. Otherwise organizations, and the people who work there, will not change.*

*While it may not be visible right now there are many companies that are using the energy crisis to come up with imaginative solutions to free us from our dependency on oil.*

## A Crisis Is a Terrible Thing To Waste

We may be in the midst of the worst crisis that the United States, and perhaps the Western world, has seen in seventy years.

It's been a perfect storm, created by collapsing home prices, mortgage defaults, bank failures, inadequate liquidity, exploding energy costs, recession, a weak dollar, and a stock market that is 20 percent off its highs.

Sounds terrible, doesn't it? Sounds scary. Sounds downright depressing!

That's what most people think. And many of those people will sit it out and wait for things to get

better. But there is another way to think about this perfect storm.

Over a decade ago John P. Kotter wrote an article titled "Leading Change: Why Transformation Efforts Fail" in the Harvard Business Review. Kotter, a professor at the Harvard Business School, studied organizations that had transformed themselves from good organizations to great ones. He found they all had gone through a series of eight phases that could explain their success.

The first phase involved the establishment of a sense of urgency; either a current crisis or an

impending crisis. Sales were down, liquidity short, profits tumbling, competitors grabbing market share, key people leaving, or the stock had dropped to ten year lows.

But a crisis is still not enough to create a sense of urgency. Many will just lie low, hope they don't get shown out the door, and hunker down to do even better the same stuff that got them into trouble in the first place.

Kotter contends that you need to communicate this crisis very clear to all those in the organization. It needs to be made clear Continued .....

## Crisis Response: The all Electric Car

Toyota has the hybrid, General Motors plans to introduce an all electric car, the Volt, but there is new venture between an Israeli company and Renault of France that could completely revolutionize auto travel and energy dependency.

Renault will build a lithium battery powered car capable of travelling about 150 KM without a recharge. But the problem

till now with electric cars has been that they are costly and require frequent charging.

This project proposes to solve both problems. First Renault will mass produce the cars so they cost not more than conventional vehicles.

Second, they will establish recharging stations throughout Israel. Consumers will buy the

car but not the batteries, and pay about \$600 per month to power the vehicle. Owners will drive the car out of the showroom and when the battery is low, they will stop at a gas station and swap the battery for one that is fully charged.

Before the Energy crisis, no one would bet on this project. But now, it just might work!

## A Crisis Is a Terrible Thing To Waste

that if behavior doesn't change and if something isn't done soon, the company will be in trouble and jobs will be lost.

Kotter explains that everyone must understand the seriousness of the crisis; everyone from the top down. And if this message doesn't get through loud and clear, there will be little that can be done to transform the organization. If the sense of urgency isn't created then the remaining seven phases don't matter

Crises not only work to set the stage for organizational restructurings but they also serve as an opportunity to launch new ventures. Think about the

energy crisis, or the health care crisis, or the mortgage crisis, or the banking crisis. JP Morgan bought Bear Stearns for \$10 per share and there will be many more stories like this before the perfect storm subsides.

Cries are important motivators not only for big projects like mergers and acquisitions, but also for smaller tactical projects.

Compare these two approaches. In one hospital five nurses and physicians are assigned to a project team to look into patient infection rates and come up with an action plan to reduce them. In another hospital the project sponsor begins by writing an article in the hospital newsletter

describing the high rate of infections in the hospital, and toll in terms of costs and suffering. She raises the infection problem to crisis proportions. Next she raises the issue at staff meetings. Finally, a team is appointed to study the problem and develop an action plan.

Who would you bet on?

A Boston Hospital took the second approach and achieved one of the lowest infection rates in the country.

**Lessons Learned:** Complacency and routine is the enemy of change. Crises provide opportunities.

91 South Street  
Portsmouth, NH 03801  
USA

PHONE:  
(603) 862-3374

MOBILE:  
(603) 767-0480

E-MAIL:  
bshore@globalprojectstrategy.  
com

We're on the Web!

See us at:  
[www.globalprojectstrategy.com](http://www.globalprojectstrategy.com)

## Crisis Response: Attitudes Change Toward Wind Power

T Boone Pickens the Texas oil billionaire said that this time there is no way we can drill our way out of the oil crisis.

Pickens, who made his fortune drilling for oil, plans to build the world's largest wind farm. At an estimated cost of \$6 billion it will include 2,000 wind turbines, produce 4,000 megawatts of electricity, and cover 200,000 acres.

For several years the Cape Wind Associates LLC proposed to build 130 wind turbines across 25 miles of federal land in Nantucket sound off the coast of Massachusetts. As you can imagine the project faced strong

resistance from citizens who claimed that the farm would mar a pristine landscape. Yet environmentalists are in favor of the plan. Even the Mineral Management Services concluded that the project would have "negligible" effects on wildlife, ocean navigation, fishing and tourism. While the State recently approved the project it still has many hurdles to conquer before the project can proceed.

What is interesting is that when a crisis occurs there is often a real shift in attitudes. T Boone Pickens a conservative Texas oilman is now favoring alternative energy

and in Massachusetts the voice of those opposing the wind farm is fading as the demand for alternative energy becomes stronger.

In general what we learn is that during a crisis there is a short window of opportunity to introduce transformational change. During this time the opposition will be forced into the background and the agents of change will have a real opportunity to make a contribution.

**Lesson Learned.** If the project requires significant change, unless it is clear that the organization is suffering a crisis, the changes will be very difficult to make.