CHAPTER 4

The Greatest of All Time

Roger was crying. It was a very emotional moment witnessed by 15,000 people in the Rod Laver Arena at Melbourne Park in Melbourne, Australia, and by millions of TV spectators worldwide. In late January 2009, on a warm Australian summer evening, Roger Federer had just lost the Australian Open final to Rafael Nadal, his long-time opponent. Roger had come to Australia to equalize Pete Sampras's record of 14 Grand Slam titles. He had failed, and nobody at that moment believed that he would ever win a major title again.

He would never return to being the world's number one tennis player, a title he had held for many years. Sampras would remain the undisputed greatest of all time in professional tennis. For the press and the tennis experts around the world, one thing was clear: The Federer era was over.

In the months that followed, Federer did not win one single major tournament. He lost mostly to players against whom he had seemed unbeatable only one year before. His career seemed to be spiraling downward.

But not to one person: not to Roger himself. Every time he was interviewed, he would repeat: His objective was to again become the world's best tennis player and to beat Sampras's record of Grand Slam titles. Many interpreted his remarks as denial that his time as the world's best had passed. He trained and worked hard, convinced that he could make it. Later that year, he won the French and the U.S. Opens, and in January 2010, he was back at Melbourne Park, lifting the trophy. With 16 Grand Slam titles, Federer was now tennis's GOAT, the Greatest of All Time.

There are many GOATs in business, leaders who endured many setbacks and persevered against great odds.

For example, in the early phase of its development, and to enhance its chances of securing funding, Bell Telephone offered all its rights to Western Union for $100,000. Western Union refused, saying, "What use could this company make of an electrical toy?" (Bandura 1997)

There are also examples from the arts. Van Gogh sold only one painting during his life, and Rodin was rejected three times by the École des Beaux Arts in Paris. The Beatles were turned down by several record companies. Decca Records rejected them on the grounds that "We don't like their music. Groups of guitars are [. . .] out." Many of the literary classics brought their authors innumerable rejections. James Joyce's *Dubliners* was rejected by 22 publishers. The novelist William Saroyan received more than 1,000 rejections before his first piece was published (Bandura 1997).

It seems that sometimes the path to success is paved with difficulties, but eventual winners are resilient and persevere against great odds. Thomas Edison, who changed the world with many crucial inventions, such as the phonograph, the light bulb, and the motion picture camera, once said: "The trouble with the other inventors is that they try a few things and quit. I never quit until I get what I want" (Bandura 1997). Interestingly, it is people like Thomas Edison who help organizations to adapt and succeed.

After mental biases and heuristics, lack of perseverance is the second individual rigidity, or why individuals and, ultimately, firms sometimes fail to adapt and to respond to challenges. To better understand how the minds of those who really persevere in the face of apparently insurmountable obstacles work, we need to dive into psychology and look at the theory of self-efficacy beliefs.

The Theory of Self-Efficacy Beliefs

In the 1960s, Albert Bandura, a Canadian psychologist, was working with snake-phobic patients. He wanted to help them master their fears. In the course of his work, Bandura found that task-specific self-confidence—which he called self-efficacy beliefs—improved the ability to cope with and adapt to unpleasant situations, and reduced fear in his patients.

Bandura spent a significant part of his career exploring the role that self-efficacy beliefs play in human functioning. In 1977, Bandura published *Social Learning Theory,* a book that changed research in psychology in the 1980s (Bandura 1977).

Today, he is the David Starr Jordan Professor Emeritus of Social Science in Psychology at Stanford University. A survey in 2002 named Bandura as the fourth most frequently cited psychologist of all time, behind B. F. Skinner, Sigmund Freud, and Jean Piaget, and as the most cited living one (Haggbloom 2002). He is widely regarded as one of the most influential psychologists alive.

Bandura defined belief of self-efficacy as a personal judgment of "how well one can execute courses of action required to deal with prospective situations" (Bandura 1982).

People who doubt their capabilities, who lack self-confidence in specific domains of activity shy away from difficult tasks in those domains. They have low aspirations and weak focus and commitment to the goals that they chose to pursue. In difficult and taxing situations, they dwell on their personal deficiencies, the formidable nature of the task, and the adverse consequences of failure. Such thinking undermines their efforts. It diverts attention from how to best execute activities to concerns over personal deficiencies. They are also slow to recover from failures or setbacks. Because they are prone to diagnose poor or insufficient performance as deficient aptitude, it does not require much failure for them to lose faith in their capabilities (Bandura 1997).

In contrast, people who have strong beliefs of self-efficacy approach difficult tasks as challenges to be mastered rather than threats to be avoided. They set themselves demanding goals and maintain strong focus and commitment to them. People with healthy self-confidence invest a high level of effort in what they do and maintain or even heighten their effort in the face of failure or setbacks. They attribute failure to insufficient effort, not to aptitude. They remain task-focused and committed (Bandura 1997).

In his classic *Self-Efficacy: The Exercise of Control,* Bandura uses numerous studies and examples to illustrate the theory of self-efficacy. For example, he cites an experiment in which children who perceived themselves to be high in mathematical efficacy were more successful in solving mathematical problems than were children who doubted their own skills (even though they had the same mathematical skill level). He also cites a study that shows that schools in which the members of the staff have a strong sense of collective efficacy flourish academically. In contrast, schools in which the staffers have doubts about their academic efficacy decline academically (Bandura 1997).

It is important to distinguish belief of self-efficacy from a generally well-developed and rounded personality, or general self-confidence. Perceptions of ability should not be seen as traits that govern the entire personality

(Bandura 1997). People can be very insecure intimately and have one complex or another, yet they may hold the belief that they are efficacious at a specific task or activity. A person, say a molecular biologist, can be an insecure person, with complexes, yet believe she is the best in that profession.

Also, and perhaps most importantly, the belief of self-efficacy is an incremental skill that can be acquired and developed over time. In practice, unfortunately, self-efficacy is often perceived as an individual's given strength, an inherent aptitude, or endowed capability. Sometimes, individuals in organizations are perceived by others as being insecure, defensive of their own work, and inflexible in adapting to new situations and in addressing new challenges. Such individuals are often removed from their positions, even if this implies a loss to the organization in terms of specific experience, relationships, or technical capabilities and skills.

Understanding how and when to invest in developing individuals' self-efficacy beliefs helps leaders to develop a more nuanced perspective on when to remove or when to build on particular individuals in key positions and key roles in the organization.

Developing self-confidence takes time. The decision whether to remove an individual lacking self-confidence from a position is therefore, among other considerations, a trade-off between the time it takes to develop self-efficacy beliefs versus the time it takes to create experience, relationships, and technical skills, which may be lost when an individual is removed from his position in an organization.

Recent research suggests that the concept of self-efficacy can be extended to groups and organizations. Resistance to change by groups of people or organizations, or rather an inability to adapt, may be caused by low collective self-efficacy expectations. If teams or organizations do not believe that they can successfully solve a new problem or face an unfamiliar situation, they probably will not succeed (Gist 1987; Stajkovic, Lee, and Nyberg 2009).

A Positive for Organizations

A number of studies have demonstrated the positive relationship between belief of self-efficacy and behavioral effectiveness in organizational settings, in areas such as adaptability to advanced technology, managerial idea generation, and learning (Gist 1987; Stajkovic and Luthans 1998; Sadri and Robertson 1993).

In a study published in 1998, Alexander Stajkovic of the University of California and Fred Luthans of the University of Nebraska summarized the research findings pertaining to the relationship between task-specific self-confidence and work-related performance.

They found a strong positive correlation between belief of self-efficacy and work-related performance. A glimpse of the blindingly obvious, one might think. Yet what was surprising was the magnitude of the impact of increased perception of self-efficacy on performance and, relative to other interventions, to boost performance.

They compared interventions to increase the belief of self-efficacy of organization members with three other types of work-related interventions: goal setting, feedback, and organizational behavior modification programs.

Motivation to increase performance through goal setting is one of the most researched areas of work-related behavior in psychology. Evidence from numerous field studies and experiments shows that setting explicit, challenging goals significantly enhances motivation and work-related performance (Bandura 1997). Goals have more impact when combined with feedback, and even more so when combined with selected training to close performance gaps (which Stajkovic and Luthans call an organizational behavior modification program).

Stajkovic and Luthans have shown that interventions to increase self-efficacy achieve significantly more impact than the other three types of interventions (Figure 4.1).

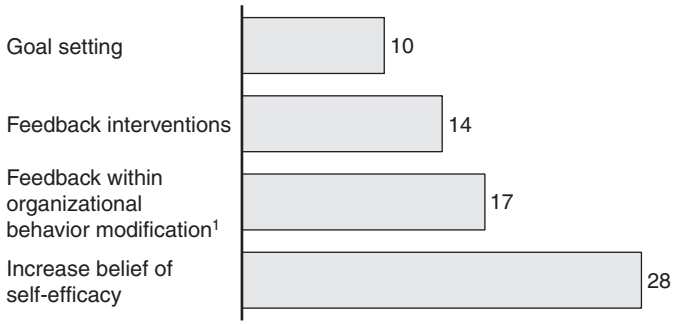

FIGURE 4.1 Improvement in Performance with Selected Interventions (in percent)

[1]The organizational behavior modification program is a formal systematic method for setting behavioral expectations, measuring the results, and intervening to close gaps.
Data source: Stajkovic, A. D., and F. Luthans. "Self-Efficacy and Work-Related Performance: A Meta-Analysis." *Psychological Bulletin* 124, no. 2: 240–261.

Pathways of Self-Confidence

The reason for the impressive impact of increasing the belief of self-efficacy stems from understanding that self-efficacy works through four major processes to affect performance. They are cognitive, motivational, affective, and selective processes (Bandura 1997).

Efficacy beliefs affect *cognitive processes,* thought patterns that can improve work-related adaptation and performance. In a program of research on complex decision making at the end of the 1980s, Wood and Bandura showed that strong beliefs of self-efficacy lead people to improve in two ways. First, people set themselves higher and more ambitious goals. Second, people make more efficient use of analytical strategies and better use of problem-solving techniques. Among students with the same level of ability but differing senses of efficacy, those with a stronger sense of efficacy are quicker to discard faulty cognitive strategies and less inclined to reject good solutions prematurely (Wood and Bandura 1989). They seem to apply more rational problem-solving techniques, and they are less likely to fall victim to the mental biases that we discussed in the previous chapter.

Efficacy beliefs affect *motivational processes,* too. First, as we discussed earlier, goals *per se* improve performance, and people with a strong belief of self-efficacy tend to set higher goals for themselves. Second, people also motivate themselves by the outcome (for example, nonmonetary or monetary incentives) that they expect from their behavior. People with a strong sense of self-efficacy assign a higher probability of success to achieving a given outcome. In other words, the expected value of an outcome is higher with people who have a strong sense of efficacy (what psychologists call expectancy value theory).

Efficacy beliefs also affect *emotional processes*. We will see in the next chapter that novel situations, such as a change of strategy or a competitive threat, create anxiety and inhibit learning and adaptation by individuals (and eventually by organizations). Efficacy beliefs help people control their emotions better in the face of novel situations. Efficacy beliefs strengthen a sense of control and self-determination, and can help individuals keep their (negative) emotions under control.

The first three processes—cognitive, motivational, and emotional—enable people to function better and exercise better control over their emotions in a given situation. Self-efficacy also affects performance through a *selection process,* in that people also select the situation in which they are more likely to perform. In selecting possible courses of action, people tend to avoid situations that they believe exceed their capabilities, but pick

situations that they judge themselves capable of handling. Career choices are an example of this. People who believe that they are good at mathematics are more likely to join an accounting firm than a creative firm. This selection factor also has implications for adaptation by firms. Management teams will only consider strategies that match their perceived (but not necessarily existing) skills and capabilities, and so limit the solution space of their strategy.

Developing Self-Efficacy

The three most effective approaches to developing a strong belief of self-efficacy in individuals are enactive mastery, vicarious experience, and verbal persuasion (Gist 1987).

First, and most effective, is *enactive mastery,* defined as repeated performance accomplishment (achieving goals and learning by doing). Mastery is facilitated when gradual accomplishments build the skills and abilities needed to perform a given activity. Leaders should set goals that are perceived by those whom they lead as ambitious but achievable. Achieving such goals builds confidence and gradually gets people to set more ambitious goals for themselves. In contrast, by setting unrealistic targets, a leader risks reducing the engagement of the people she leads and lowering their self-confidence.

Second, the next most effective is *vicarious experience,* that is, learning from *role models.* This is most effective when people can relate to the role models (similar background, age, and so on), and when role models succeed after overcoming difficulties, rather than when they achieve success easily. Role models who succeed in seemingly difficult and challenging situations are inspiring, produce followership, and cause followers to copy their behavior, and—if they are successful—to achieve enactive mastery.

Third is *verbal persuasion,* which is aimed at convincing a person of his ability to perform a specific activity ("Yes, you can do it!"). Verbal persuasion is, however, believed to be less effective than enactive mastery or role modeling.

A Health Warning

Sometimes, the perceived self-efficacy of individuals or groups can be too high, producing excessive optimism, overconfidence, and potentially misguided behavior.

In his book *How the Mighty Fall,* Jim Collins describes and analyzes the fall of once-great firms. He believes that one of the seeds of decline lies in management teams becoming insulated by success. People become arrogant, they fail to acknowledge the very reasons for their success, and they overestimate their own merits and capabilities (Collins 2009).

Such a situation is believed to have occurred among the members of President John F. Kennedy's inner circle, and to have led to the fiasco in Vietnam. Arthur Schlesinger, a U.S. historian and assistant to President Kennedy from 1961 to 1963, wrote a detailed account of the Kennedy Administration, titled *A Thousand Days* (Schlesinger 1965).

He was quoted as saying, "Euphoria reigned. We thought for a moment that the world was plastic and the future unlimited" (Gist 1987). The source of the exaggerated belief of self-efficacy may have been grounded in President Kennedy's own enacted mastery and his emergence and election as president against all the odds. While his success certainly should have generated a strong sense of self-efficacy, it may have also led to overconfidence and a sense of infallibility among his aides.

As much as they foster self-efficacy, leaders also need to be careful to avoid overoptimism and arrogance, and work to moderate self-efficacy.

The CEO of a large firm once explained to me that whenever one of his senior managers is too self-critical and too concerned about the future, he encourages him to think about his strengths, and to think about more possibilities and opportunities to shape the future favorably. But whenever the senior manager gets ahead of himself, becoming too optimistic, he warns him and reminds him of the limitations and dangers ahead. This is an excellent example of managing self-efficacy beliefs in practice.

Implications for Management

If used carefully, fostering self-confidence can be a very powerful tool to increase the ability of individuals (and organizations) to adapt to changing situations.

This has five implications for management: on staffing of key positions with learners, on target setting, on performance appraisal practices, on leadership development, and on training practices.

Staffing Key Positions with Learners

It is obvious that key positions, positions that are important for the achievement of results and for adaptation, need to be staffed with people with a healthy sense of self-efficacy. Some organizational areas

or departments—such as research and development, marketing, or technology—may be more important for adaptation than others. Undoubtedly, the top team is one of these areas.

The organization's leader does not always have a perfect team, however, and her freedom to make changes may be limited by a lack of alternatives, by fear of the loss of specific knowledge, or by the fact that she has previously made commitments to specific people.

It may be important to assess members of the top team not only on their existing capabilities and their existing belief of self-efficacy, but also on their flexibility and attitude toward learning. With a bit of support and positive framing, they may have the ability to develop a healthy level of self-confidence (as exemplified by the case of Sergei, the head of AHD's dental implant unit, later in this chapter).

Several studies have shown that individuals who have a positive attitude toward learning, people who regard self-efficacy as an *acquirable skill,* tend to seek challenges that provide opportunities to expand their knowledge and capabilities. They regard errors as a natural part of the learning process and view setbacks not as personal failures but as learning experiences.

By contrast, people who view ability as an *inherent aptitude,* an endowment, seek tasks that minimize the probability of failure. They are more rigid, and often become defensive when their work is challenged, as setbacks or negatively perceived feedback represent threats and reveal their limitations. They set themselves unambitious goals, and they shun opportunities to learn more (Bandura 1997).

In a study by Wood and Bandura, the quality of decision making by managers who view their decision-making ability as reflecting inherent cognitive aptitude deteriorated when they encountered problems. They started setting themselves lower targets, their problem solving became more erratic, and in consequence they achieved progressively less with the organizations they were managing. By contrast, with managers who believed that efficacy is an acquirable skill, the quality of decision making increased, as did the performance of the organization they were managing (Figure 4.2, Wood and Bandura 1989).

One more subtle implication is that firms may need to embed learning and learning aptitude as values or norms in the corporate culture. We discuss this point later.

Target Setting

As seen earlier, the achievement of ambitious goals builds confidence and gets people to set even higher goals for themselves. The implication is that

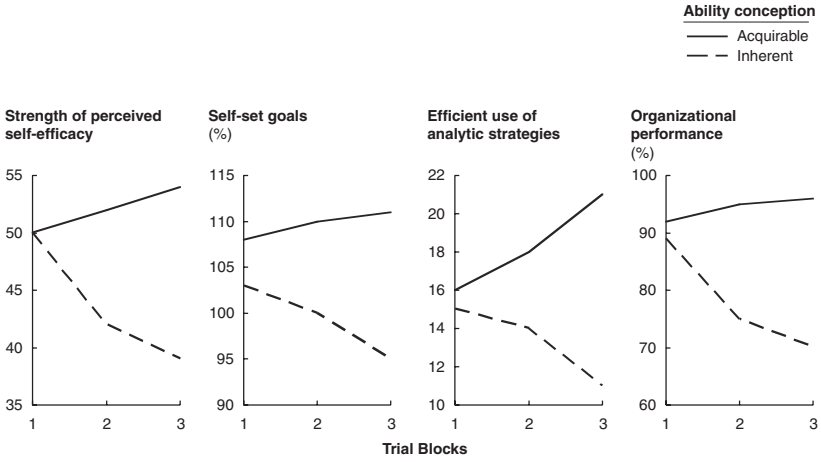

FIGURE 4.2 Performance Development under Instilled Conceptions of Ability

Source: Self-Efficacy: The Exercise of Self-Control by Albert Bandura. © 1997 by W. H. Freeman and Company. Used with permission of Worth Publishers.

leaders need to be very thoughtful in setting targets. Targets should ideally be ambitious so they can better foster motivation, innovative thinking, and problem solving, but they should be still realistic and achievable.

Clearly unachievable targets lead to loss of confidence, or at best to lack of engagement and commitment by those who receive those targets ("these are not my numbers," "not my goals").

Performance Appraisal Practices

As seen in this chapter, positive achievements support the development of self-efficacy. However, many firms have practices built into their performance appraisal systems that foster a low sense of efficacy.

Some firms sort their employees into ability groups (so-called forced rankings, typically with a normal distribution of some low performers, many on-track performers, and very few high performers), which diminishes the perceived self-efficacy of those in lower rating categories. Competitive grading practices convert performance evaluations into experiences in which many are doomed to failure for the success of a very few (Bandura 1997).

On the other hand, individualized performance feedback—in which the ratings are relative to individual achievements (deviation from budget, degree of individual target achievement, for example)—may be more

powerful in developing a more self-confident, adaptive, high performance corporate environment.

Leadership Development

Leadership plays a key role in the development of self-efficacy. The implication is that all leaders—from senior executives, middle managers, and department heads to front-line leaders—may need to receive the appropriate training to foster self-efficacy beliefs in the people they lead. This includes developing the ability to judge the strengths and weaknesses of their subordinates, and their attitude to learning, and then to select the approach best suited to enhance their sense of self-confidence—such as enacting mastery, purposeful role modeling, verbal persuasion, or selecting a job better suited to them.

Training Practices

Self-efficacy theory has been applied successfully in the redesign of the training curricula of many firms. In essence, the application of self-efficacy theory leads to *mastery modeling* or *forum and field training approaches,* which include three main elements. First, the skills to be taught are modeled by trainers in a class setting to convey the basic rules and problem-solving strategies. Second, the learners carry out guided practice under simulated conditions. Third, the learners apply their newly learned skills in their work situation. In essence, this means breaking down the formal teaching into chunks, with time in between for the learners to reflect, experiment, and apply the new principles (Lawson and Price 2003).

Success Built to Last co-author Jerry Porras (Porras, Emery, and Thompson 2007), the Emeritus Lane Professor of Organizational Behavior and Change at Stanford University, and his colleagues demonstrated that supervisory skills instilled with a mastery-modeling approach significantly improve the morale and the productivity of organizations (Porras and Anderson 1981; Porras et al. 1982). They showed that this approach improved the level of monthly productivity of a manufacturing plant by 17 percent while significantly decreasing absenteeism and employee turnover.

■ ■ ■

Carl came to see that the issue with the board and the GET was not a matter of a lack of understanding. It was clear to the majority of the board and

the GET team that the market had become tougher and that AHD had to change its strategy. The issue was a lack of individual and collective *self-confidence*. And Carl had to fix it fast, before they sold the company out from under him.

As soon as the first setbacks and difficulties with the OPEN strategy became apparent, some members of the GET were quick to share their skepticism about it. Sergei, head of dental implants, was the most vocal.

Sergei had been instrumental in building the dental unit in the 1990s. He knew the industry and its customers better than anyone else, and he had good business acumen. Though highly analytical and somewhat mechanistic in his thinking, he was a very astute people leader. He could at times be quite irritable and impulsive, but he was also charming and warm-hearted, and enjoyed an excellent following within his division. In regard to self-efficacy, though, Sergei was very insecure and defensive. He made it clear several times that he perceived the entire discussion about a possible change of strategy as an attack on his work and on his person. He rejected the need for change, particularly in his own division.

"We're doing fine," he protested to Carl, "you just don't trust my team, or me."

"Actually," Carl said to him, "that's not the case at all. We're not doing that well, but I have more confidence in you than you do."

Given Sergei's acumen, experience, and strong leadership skills, Carl wanted to keep him on board, so he began to invest a lot of time in one-on-one discussions, some in the office, some over lunches at a series of restaurants where Sergei's sophisticated knowledge of cuisine led them to share some excellent meals. Most of the time, Carl asked questions: "What are your concerns, Sergei?" "Why do you say that?" "What could we do differently?" He spent most of the discussions listening.

Carl came to see that having lost his former boss and having to cope with a new one made Sergei anxious and insecure. Sergei often talked about Rittenhouse, about their relationship, about the support he had enjoyed. Sergei had been one of Rittenhouse's favorite management team members and had his full trust and confidence. On the other hand, Sergei was not at all sure yet about Carl's intentions. Being Sergei, he generally assumed the worst. He often spoke of "we" (himself and Rittenhouse) when describing AHD's achievements in building the dental implant business, though it was very clear to Carl—who by now knew a good bit more than Sergei did about his predecessor's shortcomings—that Sergei had been the unit's true architect and builder.

Convinced of Sergei's ability, Carl wrapped up one of their discussions with an invitation. "Sergei," he said, "I want you to lead an important part of the OPEN strategy's implementation: training the sales force. This is crucial for us, and I think you know how to make it work."

Given such a strong, visible sign of Carl's confidence and trust, Sergei agreed. When Carl backed up these new assignments with many smaller gestures and instances of positive reinforcement, like increasing Sergei's staff and budget to accommodate his new training responsibilities, the moves had the impact Carl had hoped to achieve. As Sergei's self-confidence and openness to challenges grew, so did Carl's conviction that he would become a stronger—more flexible and less defensive—member of AHD's top team.

Sergei's new training assignment went well, and his dental implant division continued to regain strength, so Carl soon came to him with an additional assignment: to help him engage the GET and the board in discussing ways to implement OPEN, not ways to kill it. "I need full buy-in," Carl told Sergei, "and you're the one who can help me get it."

When Sergei answered confidently, "I think we can do that together," Carl knew he had won at least one battle. But he still had a war to fight: The board and the GET collectively lacked self-confidence and most of AHD's top leaders were ready to give up on the new OPEN strategy.

Carl knew he could reiterate the rationale for change and the need for the new strategy to the board and the management team, and he could explain how AHD would implement it, but it was clear that persuasion would not be enough.

Carl had to *role model* the new strategy, hoping that he would succeed, and hoping that eventually others in the organization would follow him, given the known power of vicarious experience.

He decided that he would try to demonstrate the new approach by winning back a particularly difficult customer from the competition. He chose the Meyer Hospital Group, which had been an important European customer for almost a decade in the past. However, a few years earlier, Meyer Hospital Group—which had grown tired of AHD's lack of responsiveness and the declining quality of its products—had given its business to the Devica Group, a local medical device firm.

Carl asked for a meeting with Meyer Hospital Group's CEO, a young but admired leader in the German business community, who took a while to respond. When they finally met, Carl explained AHD's new strategy and approach, and asked for a chance to work with Meyer Hospital Group again.

Meyer Hospital Group's CEO wasn't at all interested in working with AHD; quite the opposite. He spent almost an hour complaining to Carl about AHD.

"The company gradually got very arrogant," the CEO protested. "Your people stopped listening to us and neglected our needs—we ran out of supplies; we received short orders and shoddy merchandise. We could never get the right people to pay attention. The whole situation was deteriorating—and we got the sense that nobody at AHD cared at all."

Carl tried to explain that a new day had dawned at AHD, but it wasn't a good meeting. He felt close to defeat when he left. "Maybe the board and the GET were right to question my strategy," he thought morosely on the way home.

The next evening he was back home in New Jersey. After the children went to bed, Carl talked to Gwen and recounted his tough meeting. She already knew all about the doubts that the board and the top team had voiced, and the ultimatum they had issued. Carl sighed, "Maybe I'm wrong this time. It sure is turning out to be an uphill climb."

"Stick with it," Gwen suggested. "I don't suppose it's going to be easy, but I do think you're going to get there."

"I'm giving it my best shot," Carl said, "but I've got only six weeks left before they could put a for-sale sign on the whole company."

A week later, Carl got a call from Meyer's CEO.

"I have something for you. It is small, and it is going to be a competitive bidding process, but I want to give you a chance. We have a clinic in Southern Bavaria, and we want a bid on modernizing our diagnostic center. Can you do it?" he asked.

"We will do our best," Carl said, and the CEO knew he meant it.

The next day Carl went to Hubert to tell him about Sergei's successful sales training campaign and the request for a proposal. Heartened, but not yet persuaded, Hubert made a couple of phone calls to other directors and gave Carl three more months to prove his case.

Carl would survive his first anniversary as AHD's CEO—making it to the second one was up to him.

Carl gathered the best team AHD could put together and flew with the team members to meet the busy chief physician heading the small clinic in Southern Bavaria. Carl knew AHD had to completely understand the clinic's needs and requirements. The AHD team worked for three weeks, literally day and night, to design an end-to-end, open-architecture solution that would ideally fit the clinic's needs. They worked closely and intensively

with their strategic partners to develop the offering to outfit the new small diagnostic center. Then they submitted their bid.

Carl soon got a call from the head of Meyer. "Okay," he said, "you're on. Show me what you can do, you and your supposedly new AHD."

Two months later, the new diagnostic center was up and running. It was the best diagnostic center AHD had ever built, and it was a success. The chief physician beamed as he led Meyer Hospital Group and AHD executives on a tour of the new facility.

Before long, Carl was asked to refit all of Meyer Hospital Group's diagnostic centers. It was a huge request, but this time it was not a competitive bid. AHD had the job. Clearly, it had regained Meyer Hospital Group's confidence. A tough thing to do, but AHD had succeeded.

The Meyer Hospital Group story boosted the morale of AHD's employees—but more importantly, it gave the OPEN strategy enormous credibility at the top of the company. The board took a vote on it again, and this time supported it unanimously. Not only did the board now understand the new strategy—thanks to this success and Sergei's successful behind-the-scenes lobbying—the members also saw that it worked in practice. And so did the GET. The way AHD and its strategic partners had developed and captured this opportunity inspired the organization and created followership, especially among AHD's top 100 or so executives.

Carl wanted to capitalize on the moment and accelerate the adoption of the new OPEN strategy. Beyond broadcasting the Meyer Hospital Group story widely within the organization, he introduced an "OPEN Award" to be given to key account management teams that won contracts with innovative, open architecture–based solutions.

In the months that followed, though, Carl began to worry that AHD's change was only skin deep. While the Meyer Hospital Group story had created enthusiasm, many pivotal customer teams—known as key account teams—did not change their behavior very much. They called their solutions "OPEN," but in fact they were largely selling their customers core product offerings with complementary products that were mostly produced internally. They were sticking to AHD's old approach—only the title was new.

In fact, everybody in AHD was now using the OPEN brand. With the aim of exploiting the successful OPEN story (and to increase acceptance in AHD's organization), almost everything that had to appear modern and innovative was now called OPEN. There was an OPEN sales process, an OPEN finance model, and an OPEN supply chain approach. The way this was taken to extreme lengths ultimately devalued the concept. Without deliberate irony, the information technology department even launched a

new OPEN VPN system (a *virtual private network,* a closed user-group communication network).

But despite the OPEN brand, the solutions AHD was selling to its customers were still largely based only on internally developed products and services. It seemed that when it came to really changing the offerings, and sourcing the best products and services from strategic partners—whether for refitting a diagnostic center or an orthopedics operating room—most of the sales reps continued to offer the old trusted (but not very successful) solutions.

Carl was puzzled. The organization understood the need for change. Everybody had seen the new OPEN strategy work with Meyer Hospital Group. The company offered employees clear incentives to adopt the new strategy. Sergei had trained the salespeople extensively. There was even an OPEN Award. Yet when it came to actually changing behavior, not much was happening.

It was frustrating, and Carl couldn't understand why people were clinging to their old habits as if they were on autopilot.

That Friday night, a warm evening in the early summer of 2006, Gwen and Carl had friends to dinner: Ernest and Lucie, and Andrew and Franca. Ernest was a successful private banker, while Lucie was a neuroscientist at Boston University, researching brain functions in reptiles and small mammals (mainly mice). Franca was a pediatrician, and Andrew was a heart surgeon, who came to dinner feeling somewhat down because James, one of his most likable patients, had died that week.

Andrew had performed a bypass for James a year earlier and had strongly advised him to lose weight and change his diet. After a pretty good start on his new regimen, James had returned to his old habits. That Monday, he'd suffered a heart attack and died suddenly.

It wasn't a great conversation at first, but it took an interesting turn when Gwen asked: "Why do people like James, who know that they have to change their behavior, resist change even if doing so will almost certainly lead to death? We know people do behave like this, but *why,* Carl?" Once again, Gwen had given Carl food for thought.