

Meridian Perspectives

Readiness Quotient™

Meridian's Readiness Quotient: Foundations & Practices

Meridian Whitepaper No. 1, Updated Q3 2002

Key words Risk, RQ,

This whitepaper describes the conceptual foundations for Meridian's Readiness Quotient (RQ™) including the psychometric model that underpins the RQ algorithm. The actual algorithm used to compute RQ scores is proprietary.

Note also that this whitepaper does not discuss in detail how the RQ metric is administered, nor does it discuss in detail how we use the RQ metric and the data it produces to drive change programs. These subjects are discussed in a separate Meridian whitepaper.

THE READINESS QUOTIENT

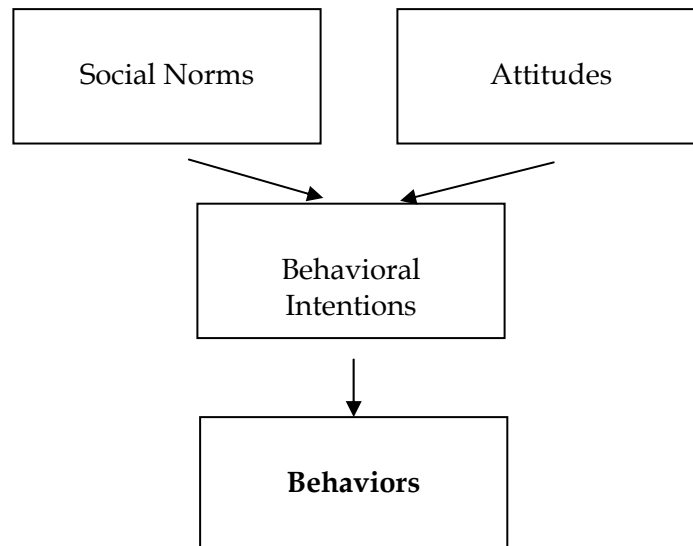
People naturally ask key questions when faced with changes in their organization, the organization's strategies, its processes, systems, and/or culture.



The answers to these questions define the pace and ultimate success of the change project.

- ◆ *Credibility* - is this project real? - is the first critical question. Credibility is the fundamental and shared belief that the organization can and will complete a change project. A project cannot succeed when people do not in their hearts believe the organization is willing or able to complete the project.
- ◆ *Organizational Impact* - what does this project mean to us? - is the second critical question. Organizational impact is the project's perceived impact on an organization's formal and informal strategies, operations, systems, and structures. It can be positive – the project promises more gain than pain to the organization – or negative, indicating that people believe the project compromises the organization's strategies, operations, systems, or structure.
- ◆ *Individual Impact* - what does this project mean to me? - is the third critical question. Individual impact is the project's perceived impact on individual roles, responsibilities, rewards, and security. It can be positive – the program promises more gain than pain – or negative, indicating that people expect to lose more than they gain from the project.

The Readiness Quotient pinpoints the *attitudes and social norms* that determine organizational acceptance of change. Attitudes and social norms are important because they drive behaviors, as shown in the following model.¹



¹ Engel, Blackwell, Miniard, Consumer Behavior, 8th Ed., The Dryden Press, 1995.

Attitudes are also important because they can be quantified. Quantification is possible because attitudes have two important properties.

- ◆ The first key property is *valence*. Valence means an attitude can be positive, neutral, or negative.
- ◆ The second key property is *extremity*. Extremity means that each individual or collection of individuals can vary in the intensity with which they like or dislike something.

Social scientists use *multiattribute models* to understand the valence and extremity of group and individual attitudes. The Readiness Quotient algorithm is a multiattribute model, based in part on the Fishbein model.² The Fishbein model is outlined below:

$$A_o = \sum b_i \times e_i$$

A_o	An individual's or group's attitude toward an object or event
$\sum b_i$	Is the sum of the individual's or group's beliefs about specific attributes or outcomes that define the object or event
e_i	The weight or importance the individuals or group ascribe to each of the specific attributes or outcomes

Like the Fishbein model, we believe that an individual's or an organization's attitude toward change – and hence their behavioral response to change – is the summary of the perceived gains and losses resulting from the change weighted by the gut-level importance of each gain or loss to the individual or organization.

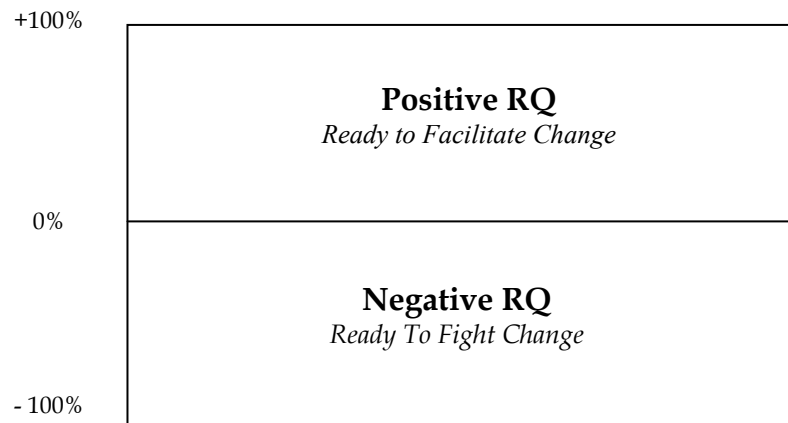
- ◆ What do you expect will happen?
- ◆ Is this outcome good or bad in your view?
- ◆ How much do you ultimately care about this outcome?

² Fishbein and Ajzen, **Belief, Attitude, Intention, and Behavior: An Introduction To Theory and Research**, Reading, Mass: Addison-Wesley, 1975.

Like the Fishbein model, the RQ algorithm distills the organization's diverse and oftentimes conflicting attitudes about change into a single number: the RQ score. RQ scores range from +100% to -100%. The valence (the sign, positive or negative) and the extremity (i.e. the size) of the RQ score present a succinct, powerful view of the organization's stance toward change at a point in time:

- ◆ Positive RQ scores (RQ scores ranging from +1% to +100%) indicate that organizational acceptance of change exceeds resistance to change.
- ◆ Negative RQ scores (RQ scores ranging from -1% to -100%) indicate that organizational resistance of change exceeds acceptance of change.
- ◆ Neutral RQ scores (RQ scores grouped around 0) indicate one of two conditions, each of which is made clear by the RQ algorithm:
 - The organization has no strong opinions or has yet to make up its mind about the change; or
 - The organization is deeply polarized about the change.

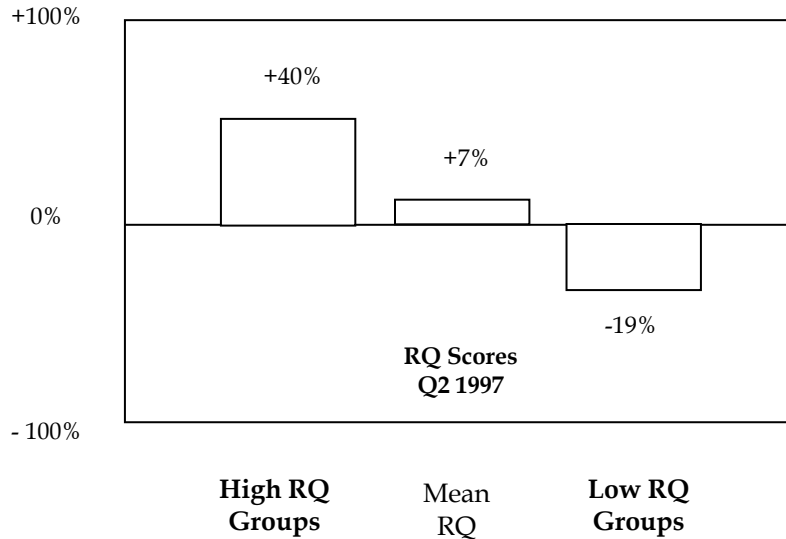
The RQ scoreboard is shown in the following illustration.



The RQ scoreboard allows us to graphically report and contrast RQ scores for business units, work groups, and project teams at any point in time during a change project. RQ scores for a sample of high RQ work groups, low RQ work groups, and the average RQ for an organization at the mid-point of a large-scale change project are shown in a chart on the following page.

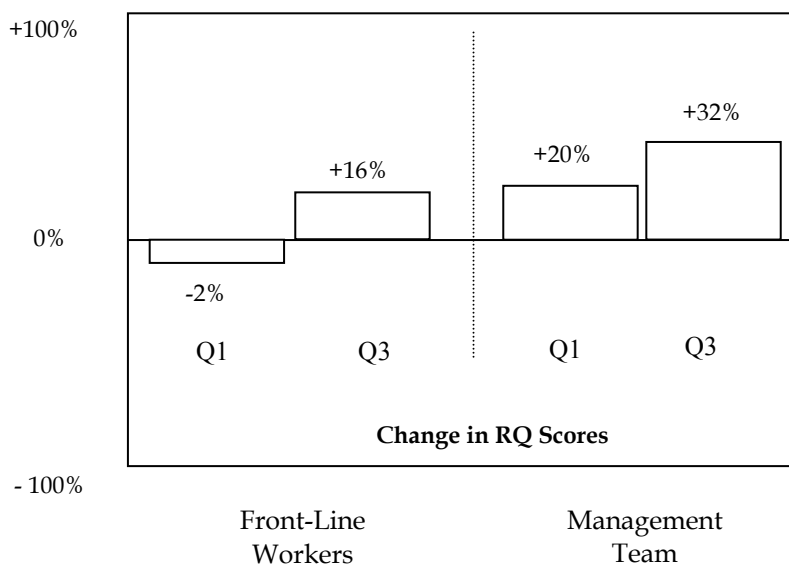
The degree of dispersion in RQ scores seen in this chart (equal to almost 60 RQ points) is typically observed for two reasons: (1) change has different impacts across an organization; and (2) the administration of change management activities is oftentimes inconsistent across the organization.

Actual RQ Scoreboard, One Organization at One Point in Time



The RQ scoreboard also allows us to track changes in RQ scores over the course of the change project. Four RQ scores--two for front-line workers and two for managers in a manufacturing organization – are shown in the following chart.

Actual RQ Scoreboard, One Organization at Two Points in Time



As seen in this chart, our initial RQ score for front-line workers was -2%, and our initial RQ score for the management team was +20%. This observed difference between management and front-line workers is very typical, attributable most often to the fact that the management team knows more about the project and its impact than the rest of the organization.

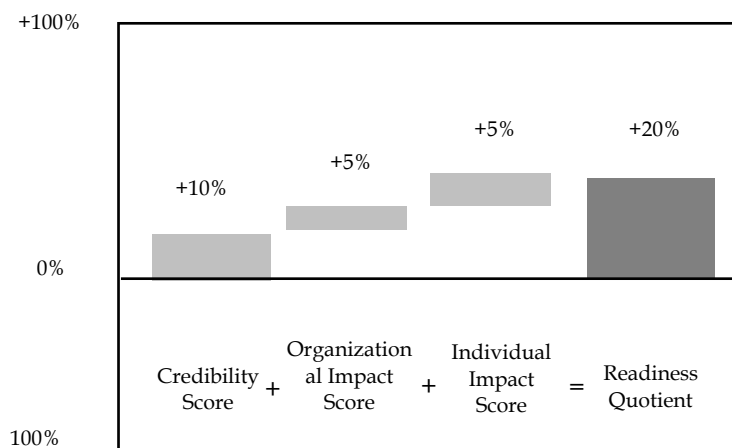
In response to this reading, the above management team designed and implemented a number of initiatives – each of which was informed by the RQ data. These initiatives included revamping their communications plan, significantly increasing the number of grass-roots events; creating an “accelerate team” comprised of mid-level managers committed to accelerating the project’s implementation; and even replacing supervisors in the workgroups with the lowest RQ scores.

Within six months, RQ scores improved appreciably. Our second RQ score for front-line workers was +16%, an improvement of 18 points. Our second RQ score for the management team was +32%, an improvement of 12 points. More importantly, the RQ gap between the management team and the front-line workers narrowed by 6 RQ points.

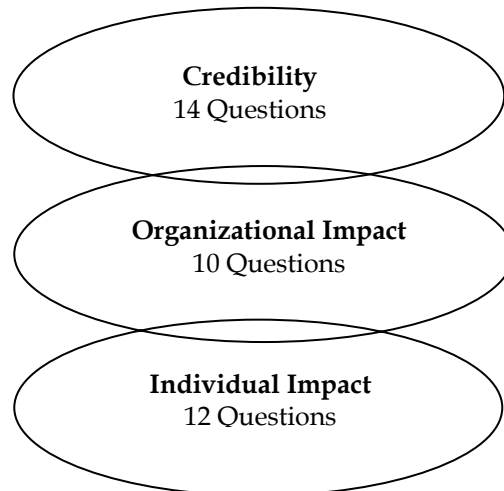
BEHIND THE NUMBERS

We noted earlier that the pace and ultimate success of a change project is determined by the project’s perceived credibility and expected impact of the project on the organization as a whole and on each individual. The Readiness Quotient is grounded in this insight. Each RQ score is the sum of three values: (1) a credibility score; (2) an organizational impact score; and (3) an individual impact score.

Illustrative RQ Components



We develop credibility, organizational impact, and individual impact scores by asking three types of questions. For example, an RQ question set comprising 36 questions would segment as follows:



The RQ algorithm develops a score for each segment of questions and then sums the component scores to produce a summary RQ. These component scores provide an additional level of insight into the drivers of support for change.

For example, consider a workgroup with an RQ score of +37%. The group is part of an organization that is toward the end of the first year of a three-year company-wide change program. The group's RQ score of +37% is the sum of its Credibility Score, its Organizational Impact Score, and its Individual Impact Score.

Summary RQ Score	+37%
Credibility	+29%
Organizational Impact	+6%
Individual Impact	+2%

This group's credibility score was relatively high, meaning they believed that the organization was capable of completing the change project. Yet they did not have a strong view of the organizational benefits the project offered and they did not believe that the project would benefit them individually. A change management program tailored for this group would drive home the business and especially the personal benefits of the project.

Now contrast this first group's RQ score with a similar workgroup within the same organization. As outlined below, Group 1 had an RQ score of +37% and fundamentally believes the company will complete the project. Group 2 also had an RQ score of +37%, but Group 2 has a different view of the change project.

- Group 2 is significantly less confident that the company will complete the change project.
- Group 2 understands the individual benefits the change project promises more than Group 1.

	<i>Group 1</i>	<i>Group 2</i>
Summary RQ Score	+37%	+37%
Credibility	+29%	+15%
Organizational Impact	+6%	+9%
Individual Impact	+2%	+13%

A change management program tailored for this group would focus on emphasizing the credibility and importance of the initiative to the organization.

BEYOND THE NUMBERS

The RQ improvements described in the previous example came about because project managers in this organization focused on the Building Blocks and Stumbling Blocks that were unique to their organization.

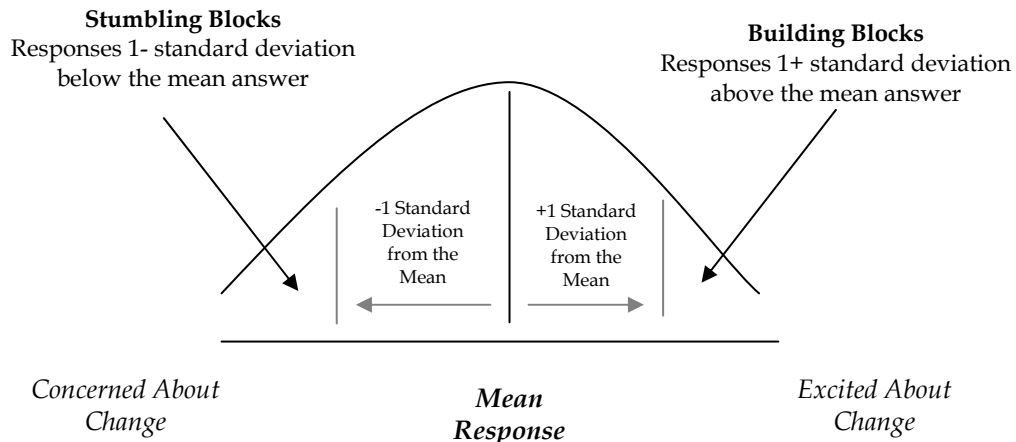
- ◆ Building Blocks are the positive attitudes that promote support for change.
- ◆ Stumbling Blocks are the negative attitudes that undermine support for change.

Building Blocks and Stumbling Blocks are identified by statistical methods.

- ◆ The RQ algorithm determines the average weighted score for each question.
- ◆ The RQ algorithm compares the average weighted score for each question to a weighted benchmark score.

Building Blocks and Stumbling Block are then identified by measuring the statistical distance between the average weighted scores and the benchmark, as shown in the following diagram.

Identifying Building and Stumbling Blocks



Building Blocks and Stumbling Blocks pinpoint attitudes that should be the primary focus of change management actions. For example, statistical analysis of the Building Blocks and Stumbling Blocks for one organization highlighted seven key differences between the high RQ teams and their low-RQ counterparts.

Key Differences Between High and Low RQ Teams

KEY DIFFERENCE	EXPLANATION
#1 Grass Roots Support	High RQ teams believe that their colleagues support the current change project. Low RQ teams do not believe their colleagues actually support the change project.
#2 Managerial Support	High RQ teams believe that front-line managers strongly support the current change project. Low RQ teams are not sure whether front-line managers support the project.
#3 Project Communications	High RQ teams indicate that they have heard consistent messages about the change project. Low RQ teams are not sure they have heard consistent messages.
#4 Rewards	High RQ teams are confident that they will be rewarded when they do a better job for their customers. Low RQ teams are not confident that they will be rewarded.

Key Differences Between High and Low RQ Teams (continued)

KEY DIFFERENCE	EXPLANATION
#5 Career Opportunities	High RQ teams think that the change project will increase career opportunities. Low RQ teams do not believe that career opportunities will increase.
#6 Job Control	High RQ teams believe that they will have more control over their jobs as a result of the change project. Low RQ teams are significantly less likely to believe that they'll gain more control over their jobs.
#7 Job Security	High RQ teams are not concerned that the change project will cause downsizing. Low RQ teams are concerned that the project will cause downsizing.

The change management team in this organization used these data to better tune their change management approach:

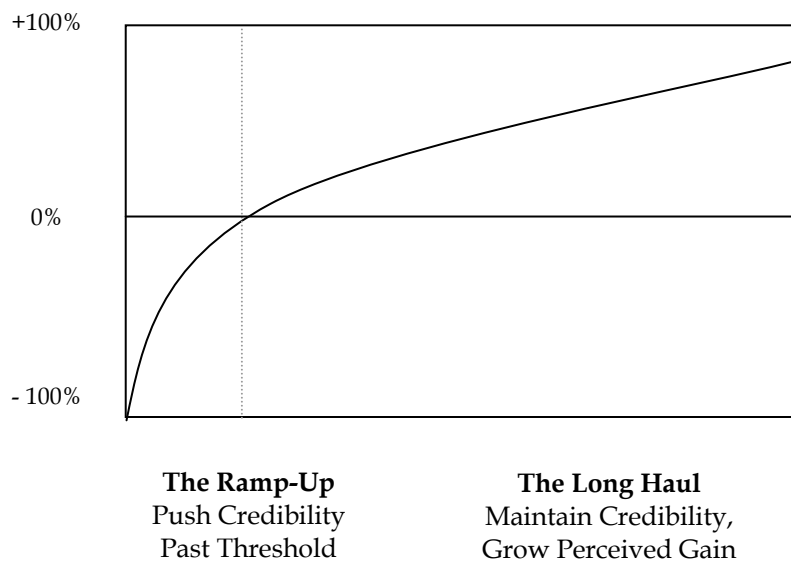
- ◆ Re-budgeting funds previously earmarked for building executive sponsorship (not a problem) to support additional managerial training and broad-based communications events.
- ◆ Revamping their communications process to ensure greater consistency of messages across the organization, and putting the metrics in place to measure and ensure the consistency and credibility of the change message.
- ◆ Creating a workshop that helped front-line workers understand how the change project would in fact allow people to assume more control over their job and their careers.
- ◆ Engaging senior management in the process of defining the extent to which downsizing would take place and gaining a commitment from management to address this issue in a timely, straightforward manner.

Note that the team did not address the issue of rewards. Unfortunately, it was not practical to think that the team could change a recognition and reward system that was deeply embedded in the company's fabric at this point in the project. Instead, the team sought the greatest leverage it could gain by focusing on those few activities that could quickly and appreciably build the organization's support for change. This focus – coupled with subsequent RQ scores that measured whether these mid-course corrections actually worked – made the difference between a costly, somewhat-successful change initiative and a cost-effective, measurably-successful change initiative.

IN CLOSING

The case studies described in this whitepaper illustrate an important point. While we initially developed the RQ program to measure the effectiveness of a change management initiative, we quickly learned that the real power of the Readiness Quotient lies in its ability to both *set* and *drive* the change agenda over the course of long, complicated change initiatives.

- RQ helps change leaders build project credibility in its earliest stages; and
- RQ helps change leaders build the case over time that the change project promises gain to the organization and to individuals.



In effect, the Readiness Quotient begins where many popular prescriptions end. While too many change programs leave leaders to their own devices, RQ helps leaders craft their messages and actions so that they address the issues that are most relevant to the organization. RQ engages constituencies across the organization in the process of making and sustaining large-scale, strategic changes in the organization, its strategies, its processes, its systems, and its culture. And RQ ensures that the organization remains committed to the change project over the long haul

In short, the Readiness Quotient should be the key driver of every change management program.